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ABSTRACT

This is a report of hearings held in Washington, D. C., on June 11, 15, 18, and 19, 1981, before the Subcommittee on Employment and Productivity on employment and training programs and the Comprehensive Employment and Training Act (CETA) that expires at the end of September, 1982. The focus of the hearings is examination of objectives of employment training policy and the relationship between federal, state, and local governments in funding, design, and administration of employment and training programs. Testimony consists of statements and prepared statements from 59 agencies/orgainzations or individuals representing them, including the American Legion; Employment and Training Administration, United States (U.S.) Department of Labor; American Vocational Association; Wider Opportunities for Women; Full Employment Action Council; Jobs for Progress, Inc.; Job Roundtable; National Association of Private Industry Councils; American Federation of Labor and Congress of Industrial Organizations; Association of Farmworker Opportunity Programs; National Association of Farmworker Organizations; National Association of Manufacturers; and state and local educational agencies. Additional information provided is comprised of articles and publications, letters, questions and answers, and selected charts. (YLB)

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EMPLOYMENT AND TRAINING PROGRAMS IN THE UNITED STATES, 1981

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT
AND PRODUCTIVITY

OF THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

EXAMINATION ON OBJECTIVES OF EMPLOYMENT TRAINING POLICY AND THE RELATIONSHIP BETWEEN FEDERAL AND STATE, AND LOCAL GOVERNMENTS IN THE FUNDING, DESIGN AND ADMINISTRATION OF EMPLOYMENT AND TRAINING PROGRAMS

JUNE 11, 15, 18, AND 19, 1981
WASHINGTON, D.C.

PART 1

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EMPLOYMENT AND TRAINING PROGRAMS IN THE UNITED STATES, 1981

THURSDAY, JUNE 11, 1981

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:10 a.m., in room 4232, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senators Quayle and Pell.

OPENING STATEMENT OF SENATOR QUAYLE

Senator QUAYLE. The committee will come to order.

We are today starting a series of hearings on the employment and training programs of this country. Authorization for the major program, the Comprehensive Employment and Training Act, expires at the end of September 1982. There is no doubt that we have a very enormous task ahead of us as we begin our deliberations over a multitude of issues relating to some of the most severe and persistent problems of our Nation.

The problems of unemployment, underemployment, productivity of the workforce, reduction in welfare dependency, economic development, and the need for a skilled labor force are with us here today and must be addressed by us in new legislation that we develop. I look forward to working with all my colleagues, Republicans and Democrats, on these issues and will be listening and learning from them as we go through the next months of hearings both here and in the field.

We have had various federally funded national employment and training programs over the years, such as the Manpower Development and Training Act and the present-day Comprehensive Employment and Training Act, all structured with the best of intentions to provide skills and skill training to our unemployed and underemployed.

The jobless rate of our country now stands at 7.6 percent, based on the May figures—0.3 percentage points above the February-April level. Unemployment for teenagers is at 19.5 percent; the black population, 13.6 percent; and Hispanics, 10.2 percent.

I hear very diverse opinions from all parts of our Nation as to the success of our training programs ranging from very positive to extremely negative, and allegations of questionable activities and misuse of funds in these programs abound.

In these times of exceptionally stringent budgets, we cannot afford to continue programs without satisfying ourselves that we are getting the very best service for the American people for every dollar we spend. This is a tremendous responsibility as we look at this program called CETA, for which the budget outlay figures grew from $992 million in 1975 to almost $8 billion estimated for fiscal year 1981. Even with substantial reductions facing us for the fiscal year 1982, we continue to deliberate in terms of the multibillion dollar program of considerable complexity.

How do we most effectively approach the task of determining the realistic goal of such a national program? Who can it effectively serve, and how, and by whom it can be most efficiently administered, and how much must be carved out of the national budget to carry out these mandates?

I confess I do not have the pat answers for these questions, nor do I have a sure-thing draft piece of legislation in my hip pocket. But I am confident that over the next few months, the witnesses that appear before this subcommittee will share with us the valuable information and experiences that will assist in bringing us a bit closer in formulating our positions on addressing these questions.

I have decided that the best way to prepare for the future is to take a look at the past. What worked, what did not, and why?

I appreciate very much the witnesses that have agreed to be with us today to help us take a look at what has happened in the past, and I know they will be candid in their remarks. I too have heard the stories of misuse and mismanagement of the funds in the CETA program at all levels—Federal, State, and local. I have made no predetermined judgment that misuse is any worse or more rampant at any one level than the other. I am anxious to hear the facts on those stories, rumors and allegations. I want to hear how these problems can be rectified and discouraged in the future.

As we go through the next months, I want to hear how local needs can best be identified and met, and receive testimony on the innumerable issues relating to these programs. Most of all, I will concentrate on gathering information that will be needed to help us determine what kind of program must be structured to see to it that the individuals in our society who are willing to work can work in productive jobs and to assure that employers in our society have a skilled and plentiful work force on which to draw. With that mighty task at hand, I suggest we go ahead and proceed.

The first witnesses are from the U.S. General Accounting Office: Mr. Scantlebury, Mr. Sullivan, Mr. Egan, and Mr. Moody. I thank you for coming before the committee, and I understand that Mr. Scantlebury will speak first for the group.

STATEMENT OF DONALD L. SCANTLEBURY, DIRECTOR, ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY LAWRENCE SULLIVAN, GROUP DIRECTOR, ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION; GEORGE EGAN, ASSOCIATE DIRECTOR, ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION; AND MAURICE MOODY, SUPERVISORY EVALUATOR, HUMAN RESOURCES DIVISION

Mr. Scantlebury. Yes; actually, we are here today to discuss two of our reports. The first one is entitled "Weak Internal Controls Make the Department of Labor and Selected CETA Grantees Vulnerable to Fraud, Waste and Abuse." That report was issued on March 27 of this year.

The second report is "More and Better Audits Needed of CETA Grant Recipients." That was issued on November 6, 1980.

The gentlemen accompanying me, Mr. Egan and Mr. Sullivan, on my left, were responsible for supervising these audits, and Mr. Moody from our Human Resources Division is responsible for some of our work in the programmatic areas.

The first review I would like to discuss was performed to determine if Labor and its grantees are vulnerable to misuse and abuse of Government funds. This study concentrated on whether Labor has an adequate system of internal controls. Internal controls are the body of checks and balances which organizations set up to spread work out in such a way that one person or function checks on what another person or function does.

These checks detect errors and make fraud and related acts more difficult. Good internal controls are the most effective deterrent to fraud, embezzlement and related illegal acts. Good internal control by Labor and its grantees is extremely important because they annually handle about 8 billion in CETA funds.

As a result of this review, we concluded that the Department and selected CETA grantees were vulnerable to fraud, waste, and abuse because some essential internal controls were lacking.

Internal audit is or should be an important feature of any agency's system of internal controls. The second review I will talk about was performed to determine how the Department of Labor carries out its CETA audit responsibilities. We found that fewer than half the required audits had been performed. As part of the review, we evaluated the quality of the audits that had been performed at 13 prime sponsors. We found that these audits we tested did not always conform to quality standards established by the Comptroller General and required by Labor and Office of Management and Budget regulations.

Now, I would like to discuss the results of both assignments in some detail. First, I would start with our vulnerability assessment of the Department of Labor and selected CETA grantees contained in our report issued in March of this year.

In making this vulnerability assessment, we were interested in determining whether Labor had a system of internal controls to adequately protect against fraud, waste and abuse and how CETA grantees provided for protection of federal funds and assets.

In this regard, we did not concentrate on determining how much fraud had occurred, but instead focused on how such illegal acts could occur as a result of internal control weaknesses. We were interested in identifying areas where Labor is vulnerable to abuse or error.

In making this assessment, work was performed at Labor headquarters, Labor regional offices, four CETA prime sponsors, four subgrantees, and a national program grantee. We also reviewed numerous reports pertaining to Labor's investigations of alleged fraud and waste in the CETA program.

I will now summarize some of the internal control weaknesses we noted during this review and further describe what has happened or can happen as a result of these weaknesses.

In reviewing the administrative activities of Labor and its regional offices which support CETA, as well as other Labor programs, we found that unspent grant funds, money owed Labor from disallowed grantee expenditures, and overpayments to vendors and employees are not collected promptly, properly safeguarded upon receipt, or properly deposited in U.S. Treasury accounts when received.

We also found that procurement invoices were approved for payment and later paid without purchase orders or other supporting documentation to ensure validity or without checking to see if the bill had already been paid. As a result, duplicate payments have occurred.

Employee travel advances were not being sufficiently reviewed to verify the amount and determine the need for repayment. Such reviews are important, especially to insure that employees who quit their jobs have repaid their advances.

We also found that property purchased with Federal funds at Labor headquarters was not being physically inventoried annually by persons other than those responsible for maintaining property records.

Regarding the CETA program specifically, we found internal controls to be unacceptably weak at the grantees reviewed, despite numerous Labor regulations and publications which provide internal guidance and requirements. These conditions make the grantees vulnerable to illegal acts and unintentional errors, and reinforce the importance of conducting regular audits of their operations to assure that proper internal controls are in place over CETA funds.

For example, we found that prime sponsors were not reviewing subgrantee requests for cash or subgrantee cash balances, and as a result, excessive amounts of CETA money were being retained by some grantees. For example, one subgrantee, over the 6-month period we reviewed, had from four to seven times more cash than was permitted—from $372,000 to $728,000. Another had excessive balances ranging from $78,000 to $263,000 over the 3-month period we checked.

One of these subgrantees committed $25,000 of its CETA money to purchase 1,024 water meters for installation in private homes. Officials justified this purchase by explaining that it was training 12 CETA participants to install and read the meters. The purchase was not detected by the prime sponsor because it did not have an internal control procedure requiring that purchases over a certain dollar limit be approved.

This same subgrantee used $329,000 of its excess CETA cash to finance its city payroll for 1 week. Over the ensuing 5-week period, the CETA payroll was paid by the city, thereby liquidating this debt.

Two prime sponsors and three subgrantees we visited did not sufficiently verify CETA participant eligibility data provided on applications for enrollment into the CETA program. This creates a high risk that ineligible persons are being trained and paid at the expense of needy people.

The four subgrantees we visited failed to establish sound internal controls over CETA payroll disbursements, allowing erroneous and excessive wages to be paid to some participants. Two grantees did not systematically approve, process, validate, pay and document travel transactions. For example, one subgrantee did not always require travel orders or travel vouchers, but paid some employees fixed monthly travel allowances without requiring proof that travel actually took place. The lack of documentation makes it impossible to audit these disbursements and to establish whether they were valid or not.

Grantees did not always conduct annual physical inventories of property or investigate noted discrepancies. Furthermore, they frequently removed items from inventory records without explanation and sometimes expensed equipment rather than inventorying it.

At one prime sponsor, a physical inventory revealed 20 items missing from its inventory. The prime sponsor did not investigate the loss. Among the missing items were five typewriters, one duplicating machine, a pocket calculator and a dictating machine–all having value for personal use.

These examples typify the kinds of weaknesses we found in payroll, purchasing, travel, cash management, property management, and participant eligibility at nearly every location visited during our vulnerability assessment. When considered in total, this led us to conclude that the CETA program is vulnerable to fraud, waste and abuse and that internal controls at the Department of Labor and at CETA grantees need to be improved. We believe that Labor must insure that strong internal controls exist throughout its organization and with its grantees.

The final portion of the vulnerability assessment concerned the audit function. The CETA amendments of 1978 require the Secretary of Labor to audit or arrange for audits of grantees and their subgrantees to insure that funds are spent for the purposes intended.

When audits do disclose illegal, erroneous, or questionable expenditures, it is important that any misspent funds be recovered in a timely manner. In an October 25, 1978, report to the Congress entitled "More Effective Action Is Needed on Auditors Findings—Millions Can Be Collected or Saved," we reported lengthy delays in resolving audit findings at many Federal agencies, including Labor.

In January 1981, we issued a follow-on report on this same subject. Its title was "Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings." The report showed that while some progress had been made, the absence of effective audit resolution processes still is a serious problem. For instance, at the Department of Labor, nearly 1,200 reports had unresolved audit findings with a total monetary value of $294 million.

As part of our vulnerability assessment, we checked to see whether Labor has made progress in terms of reducing the length of time to resolve audit findings involving questioned costs. While some improvements have been made, there are still considerable delays. During the review, we found that delays in resolving audits were still occurring. As of December 31, 1980, there were 555 unresolved CETA audits involving $158.2 million in questioned costs.

We also noted that in some cases, audits disclosed numerous internal control weaknesses at grantees which went uncorrected after the audit even though the grantee promised to implement the auditor's recommendations for improvement. If audits are to be effective, Labor must assure that the grantees correct any deficiencies identified in an audit.

Our vulnerability review covered only a limited number of prime sponsors and subgrantees for the period May through October 1979. However, some of the problems we noted in our vulnerability assessment are also occurring at other prime sponsors and subgrantees.

In an ongoing review of CETA funds at the local level, GAO is finding problems in cash management, equipment management, procurement, and in payroll—in other words, the same type of findings we had in our earlier report. The auditors plan to brief both the majority and minority staffs of this subcommittee during July concerning this follow-on review.

Next, I would like to turn to our review of CETA audits. The results of this review are contained in our report issued in November 1980, "More and Better Audits Needed of CETA Grant Recipients."

Audit is a basic control the Government has to prevent unauthorized expenditures by its grantees. When effectively used, the audit function can provide management with information on how to make the program operations more economical and efficient and to keep funds from being spent improperly.

Labor has benefited from its audits of CETA grant recipients. Some of its recent audits have disclosed significant findings which are having an important effect on the program. However, Labor's record in accomplishing audits of the prime sponsors has varied significantly around the country. As I mentioned earlier, at the time of our review, fewer than half the required audits had been performed.

Furthermore, our limited sample of those audits indicated a need for improving their quality. Finally, Labor did not have an effective system for controlling and summarizing subgrantee audits. The principal reason for Labor's inability to accomplish more audits was a lack of audit resources.

CETA regulations in existence at the time of our review required the Secretary of Labor to audit or arrange for audits of prime sponsors annually, but not less than once every 2 years. If these regulations had been complied with, every original CETA prime sponsor and subsponsor would have been audited at least three times by now.

We found, however, that there were still 14 prime sponsors that had not been audited for the first time as of March 31, 1980. During the period covered by our review, over $26 billion was spent by about 460 prime sponsors and thousands of subgrantees. Only 320 of the prime sponsors had been audited as of then. In one of Labor's 10 geographic regions, only 24 of 105 prime sponsors had been audited during the period covered by this review. The 81 prime sponsors which were not audited had expended $2.4 billion. At the time of our review, audits had been started on 33 of those 81 prime sponsors.

At a second regional office which is responsible for auditing 45 prime sponsors, we found that as of September 1978, 22 of the prime sponsors had not been audited since the inception of the CETA program in 1974. Furthermore, seven of the audits which were performed were limited-scope audits which, according to Labor officials, do not satisfy the audit requirements of the CETA regulations. In terms of expenditures audited, this means that about $1.36 billion of the $1.7 billion granted to the prime sponsors had not been audited at the prime sponsor level.

Since the time of our review, Labor reports completing an additional 126 prime sponsor audits nationwide during the year ending March 31, 1980. This brings the total prime sponsors audited to 446. However, as previously stated, all prime sponsors should have been audited at least three times by now.

The most serious case we found involved an audit of a 25-month period and $30 million of CETA funds. In this audit, we found that the grantee records did not support the reported expenditures. Yet, this was not disclosed in the audit report.

The auditors were unable to reconcile the grantee's cash receipts with the final cash balance. Rather than report the discrepancy, the auditors inserted a $448,000 "plug" amount to obtain a balance.

The auditors made a $576,000 error in computing the amount of administrative costs to be allocated to the grantee. The work papers where the error was made showed no indication of supervisory review.

The auditors did not render an adverse opinion on the grantee's financial statements, although they admitted to us that an adverse opinion was warranted.

We reviewed some of the audits accomplished under the CETA program to evaluate the quality and thoroughness of the work performed. We found that audits of prime sponsors were not always timely, did not address management responsibilities over subgrants and contracts, and did not have all the characteristics of a quality audit.

We reviewed Labor's audit of one prime sponsor that received $28.4 million of CETA funds over a 1½-year period. Of this amount, $27.7 million was transferred to its subgrantees. Thus, Labor's audit covered only about $692,000 of administrative expenses and was void of an analysis of the $27.7 million administered by subgrantees where the job training was provided and the public service jobs were being performed.

When the original CETA legislation was passed in December 1973, Labor had 144 professional auditors. By June 1974 when the first increment of CETA funds reached prime sponsors, the professional audit staff had been reduced to 106 positions. In fiscal 1975, the director of the internal audit staff requested 30 additional positions, but five additional positions were all that were added from reallocations within the Department.

By the end of fiscal 1976 when the first 2-year audit period was ending, requests for more staff never got past Labor's own budget review process. The staff level remained at 111 until fiscal year 1977 when the audit staff requested 26 more positions. Again, Labor disallowed the request. However, a supplemental request of 20 additional positions was submitted later that year and approved by the Department, the OMB and the Congress. One position was designated for direct audit support and 19 were added to the staff as auditors.

In fiscal year 1978, an additional 29 positions were requested by the audit staff. The Department requested 20 positions which were approved by OMB and Congress. However, all 20 positions were allocated to the newly established Office of Special Investigations, which later absorbed the audit group and subsequently became the Office of Inspector General.

In addition, 6 positions were transferred out of audit as a result of a decision within the Department, leaving 124 auditor positions as of July 1979. In responding to our draft report, Labor stated that the Office of Audits now has 183 authorized professional positions.

Yesterday, Dr. Edwin Harper, who is the Deputy Director of the Office of Management and Budget, in testifying before the Intergovernmental Relations and Human Resources Subcommittee of the Committee on Government Operations in the House testified that the current resources of the Office of Inspector General—he did not break it down between auditors and investigators—said that they now have a staff of 387 and that they estimate that they will have 433 this year. So, there is some increase there, according to his testimony.

That completes my statement, Mr. Chairman. We would be pleased to try to answer any questions you may have.

[The prepared statement of Mr. Scantlebury follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D. C. 20548

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STATEMENT OF
DONALD L. SCANTLEBURY, DIRECTOR
ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION
BEFORE THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE
CONCERNING AUDITS OF THE DEPARTMENT OF LABOR'S COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA) PROGRAM

Mr. Chairman and Members of the Committee:

We appear here today to discuss two of our reports; "Weak Internal Controls Make the Department of Labor and Selected CETA Grantees Vulnerable to Fraud, Waste and Abuse" (AFMD 81-46), and "More -- and Better -- Audits Needed of CETA Grant Recipients" (AFMD 81-1). With me today are Lawrence Sullivan and George Egan of my staff, and Maurice Moody of our Human Resources Division.

The first review I will discuss was performed to determine if Labor and its grantees are vulnerable to misuse and abuse of Government funds. This study concentrated on whether Labor has an adequate system of internal controls. Internal controls are the body of checks and balances which organizations set up to spread work out in such a way that one person or function checks on what another person or function does. These checks detect errors and make fraud and related acts more difficult. Good internal controls are the most effective deterrent to fraud, embezzlement, and related illegal acts. Good internal control by Labor and its grantees is extremely important because they annually handle about $8 billion in CETA funds. As a result of this review we concluded that the Department and selected CETA grantees were vulnerable to fraud, waste, and abuse, because some essential internal controls were lacking.

Internal audit is or should be an important feature of any agency's system of internal controls. The second review I will talk about was performed to determine how the Department of Labor carries out its CETA audit responsibilities. We found that fewer than half the required audits had been performed. As part of the review, we evaluated the quality of the audits that had been performed at 13 prime sponsors. We found that these audits we tested did not always conform to quality standards established by the Comptroller General and required by Labor and OMB regulations.

Now I would like to discuss the results of both assignments in some detail. I will start with our vulnerability assessment of the Department of Labor and selected CETA grantees contained in our report issued in March of this year. In making this vulnerability assessment, we were interested in (1) determining whether Labor had a system of internal controls to adequately protect against fraud, waste, and abuse and (2) how CETA grantees provided for protection of Federal funds and assets. In this regard, we did not concentrate on determining how much fraud has occurred, but instead focused on how such illegal acts could occur as a result of internal control weaknesses. We were interested in identifying areas where Labor is vulnerable to abuse or error.

In making this assessment, work was performed at Labor headquarters, Labor regional offices, four CETA prime sponsors, four subgrantees, and a national program grantee. We also reviewed numerous reports pertaining to Labor's investigations of alleged fraud and waste in the CETA program. I will now summarize some of the internal control weaknesses we noted during this review and further describe what has or can happen as a result of these weaknesses. In reviewing the administrative activities of Labor and its regional offices, which support CETA as well as all other Labor programs we found that:

--Unspent grant funds, money owed Labor from disallowed grantee expenditures, and overpayments to vendors and employees are not (1) collected promptly; (2) properly safeguarded upon receipt; and (3) promptly deposited in U. S. Treasury accounts when received.

--Procurement invoices were approved for payment and later paid without purchase orders or other supporting documentation to ensure validity or without checking to see if the bill had already been paid. As a result, duplicate payments have occurred.

--Employee travel advances were not being sufficiently reviewed to verify the amount and determine the need for repayment. Such reviews are important, especially to ensure that employees who quit their jobs have repaid their advances.

--Property purchased with Federal funds at Labor headquarters was not being physically inventoried annually by persons other than those responsible for maintaining property records.

Regarding the CETA program specifically, we found internal controls to be unacceptably weak at the grantees reviewed despite numerous Labor regulations and publications which provide internal control guidance and requirements. These conditions make the grantees vulnerable to illegal acts and unintentional errors and reinforce the importance of conducting regular audits of their operations to assure that proper internal controls are in place over CETA funds. For example we found:

--Prime sponsors were not reviewing subgrantee requests for cash or subgrantee cash balances and as a result excessive amounts of CETA money were being retained by some subgrantees. For example, one subgrantee, over the six-month period we reviewed, had from four to seven times more cash than it was permitted (from $372,000 to $728,890); another had excessive balances ranging from $78,000 to $263,000 over the three month period we checked.

--One of these subgrantees committed $25,000 of its CETA money to purchase 1,024 water meters for installation in private homes. Officials justified this purchase by explaining that it was training 12 CETA participants to install and read the meters. The purchase was not detected by the prime sponsor because it did not have an internal control procedure requiring that purchases over a certain dollar limit be approved.

--This same subgrantee used $329,000 of its excess CETA cash to finance its city payroll for one week. Over the ensuing five-week period, the CETA payroll was paid by the city thereby liquidating this "debt."

--Two prime sponsors and three subgrantees we visited did not sufficiently verify CETA participant eligibility data provided on applications for enrollment into the CETA program. This creates a high risk that ineligible persons are being trained and paid at the expense of needy people.

--The four subgrantees we visited failed to establish sound internal controls over CETA payroll disbursements allowing erroneous and excessive wages be paid to some participants.

--Two grantees did not systematically approve, process, validate, pay, and document travel transactions. For example, one subgrantee did not always require travel orders or travel vouchers but paid some employees fixed monthly travel allowances without requiring proof that the travel actually took place. The lack of documentation makes it impossible to audit these disbursements and to establish their validity.

--Grantees did not always conduct annual physical inventories of property or investigate noted discrepancies. Furthermore, they frequently removed items from inventory records without explanation and sometimes expensed equipment rather than inventorying it. At one prime sponsor, a physical inventory revealed 20 items missing from its inventory. The prime sponsor did not investigate the loss. Among the missing items were five typewriters, one dictating machine, a pocket calculator, and a duplicating machine--all having value for personal use.

These examples typify the kinds of weaknesses we found in payroll, purchasing, travel, cash management, property management and participant eligibility at nearly every location visited during our vulnerability assessment. When considered in total this led us to conclude that the CETA program is vulnerable to fraud, waste, and abuse, and that internal controls at the Department of Labor and at CETA grantees need to be improved. We believe that Labor must ensure that strong internal controls exist throughout its organization and with its grantees.

The final portion of the vulnerability assessment concerned the audit function. The CETA Amendments of 1978 require the Secretary of Labor to audit or arrange for audit of grantees and their subgrantees to ensure that funds are spent for the purposes intended. When audits do disclose illegal, erroneous or questionable expenditures it is important that any misspent funds be recovered in a timely manner. In an October 25, 1978, report to Congress entitled "More Effective Action is Needed on Auditors' Findings -- Millions Can be Collected or Saved" (FGMSD-79-3), we reported lengthy delays in resolving audit findings at many Federal agencies including Labor.

In January 1981, we issued a follow-on report entitled, "Disappointing Progress In Improving Systems For Resolving Billions In Audit Findings" (AFMD-81-27, January 23, 1981). The report showed that while some progress had been made, the absence of effective audit resolution processes still is a serious problem. For instance, at the Department of Labor, nearly 1200 reports had unresolved audit findings with a total monetary value of $294 million.

As part of our vulnerability assessment, we checked to see whether Labor has made progress in terms of reducing the length of time to resolve audit findings involving questioned costs. While some improvements have been made, there are still considerable delays. During the review, we found that considerable delays in resolving audits were still occurring. As of December 31, 1980, there were 555 unresolved CETA audits involving $158.2 million in questioned costs.

We also noted that in some cases audits disclosed numerous internal control weaknesses at grantees which went uncorrected after the audit even though the grantee promised to implement the auditor's recommendations for improvement. If audits are to be effective, Labor must assure that the grantees correct any deficiencies identified in an audit.

Our vulnerability review covered only a limited number of prime sponsors and subgrantees for the period May through October 1979. However, some of the problems we noted in our vulnerability assessment are also occurring at other prime sponsors and subgrantees. In an on-going review of CETA funds at the local level, GAO is finding problems in cash management, equipment management, procurement, and in payroll. The auditors plan to brief both the majority and minority staffs of this subcommittee during July concerning their follow-up review.

Next I would like to discuss our review of CETA audits. The results of this review are contained in our report issued in November 1980, "More--And Better--Audits Needed of CETA Grant Recipients."

Audit is a basic control the Government has to prevent unauthorized expenditures by its grantees. When effectively used, the audit function can provide management with information on how to make the program operations more economical and efficient and to keep funds from being spent improperly. Labor has benefitted from its audits of CETA grant recipients. Some of its recent audits have disclosed significant findings which are having an important effect on the program. However, Labor's record in accomplishing audits of the prime sponsors has varied significantly around the country. As I mentioned earlier, at the time of our review, fewer than half the required audits had been performed. Furthermore, our limited sample of those audits indicated a need for improving their quality. Finally, Labor did not have an effective system for controlling and summarizing subgrantee audits. The principal reason for Labor's inability to accomplish more audits was a lack of audit resources.

CETA regulations in existence at the time of our review required the Secretary of Labor to audit or arrange for audits of prime sponsors annually but not less than once every two years. If these regulations had been complied with, every original CETA prime sponsor and subsponsor would have been audited at least three times by now. We found, however, that there were still prime sponsors that had not been audited for the first time as of March 31, 1980. During the period covered by our review, over $26 billion was spent by about 460 prime sponsors and thousands of subgrantees. Only 320 of the prime sponsors had been audited as of then. In one of Labor's ten geographic regions, only 24 of 105 prime sponsors had been audited during the period covered by this review. The 81 prime sponsors which were not audited had expended $2.4 billion. (At the time of our review audits had been started on 33 of the 81 prime sponsors.)

At a second regional office, which is responsible for auditing 45 prime sponsors, we found that as of September 1978, 22 of the prime sponsors had not been audited since inception of the CETA program in 1974. Furthermore, seven of the audits which were performed were limited scope audits which, according to Labor officials, do not satisfy the audit requirements of the CETA regulations. In terms of expenditures audited, this means that about $1.36 billion of the $1.7 billion granted to the prime sponsors had not been audited at the prime sponsor level.

Since the time of our review, Labor reports completing an additional 126 prime sponsor audits nationwide during the year ending September 30, 1979. This brings the total prime sponsors audited to 446. However, as previously stated all prime sponsors should have been audited at least three times by now.

The most serious case we found involved an audit of a 25-month period and $30 million of CETA funds. We found that:

- --the grantee records did not support the reported expenditures, yet this was not disclosed in the audit report;
- --the auditors were unable to reconcile the grantee's cash receipts with the final cash balance. Rather than report the discrepancy, the auditors inserted a $448,226 "plug" amount to obtain a balance;
- --the auditors made a $576,000 error in computing the amount of administrative costs to be allocated to the grantee. The workpaper where the error was made showed no indication of supervisory review;
- --the auditors did not render an adverse opinion on the grantee's financial statements although they admitted to us that an adverse opinion was warranted.

We reviewed some of the audits accomplished under the CETA program to evaluate the quality and thoroughness of the work performed. We found that audits of prime sponsors (1) were not always timely, (2) did not address management responsibilities over subgrants and contracts, and (3) did not have all the the characteristics of a quality audit.

We reviewed Labor's audit of one prime sponsor that received $28.4 million of CETA funds over a 1 1/2 year period. Of this amount $27.7 million was transferred to its subgrantees. Thus Labor's audit covered only about $692,000 of administrative expenses and was void of any analysis of the $27.7 million administered by subgrantees, where the job training was provided and the public service jobs were being performed.

When the original CETA legislation was passed in December 1973, Labor had 144 professional auditors. By June 1974, when the first increment of CETA funds reached prime sponsors, the professional audit staff had been reduced to 106 positions. In fiscal 1975, the director of the internal audit staff requested 30 additional positions, but five audit positions were added from reallocations within the Department.

By the end of fiscal 1976 when the first two-year audit period was ending, requests for more staff never got past Labor's own budget review process. The staff level remained at 111 until fiscal 1977 when the audit staff requested 26 more positions. Again, Labor disallowed the request. However, a supplemental request of 20 additional positions was submitted later that year and approved by the Department, the OMB and the Congress. One position was designated for direct audit support and 19 were added to the staff as auditors.

In fiscal 1978, an additional 29 positions were requested by the audit staff. The Department requested 20 positions which were approved by OMB and Congress. However, all 20 positions were allocated to the newly established Office of Special Investigations, which later absorbed the audit group and subsequently became the Office of Inspector General. In addition, 6 positions were transferred out of audit as a result of decisions within the Department leaving 124 auditor positions as of July 1979. In responding to our draft report, Labor stated that the Office of Audits now has 183 authorized professional positions.

This concludes my statement and I will try to answer any questions you may have.

Senator QUAYLE. Let me begin by trying to put this in perspective. When we get into the CETA program or any Government program, one of the responsibilities that we all have is to try to get the most efficiency out of our taxpayers' money. I do not think anybody will dispute that as our responsibility.

In your analysis of the audits that you have done of the CETA program, do you have a total dollar figure that you have been able to place on fraud, abuse and waste in the program? You talked about the vulnerability aspect and about some of the other cases, but I have been unable to get a total figure on the category of waste, fraud, and abuse.

Mr. SCANTLEBURY. No; that would be an extremely difficult thing to do. In the first place, you have two kinds of fraud. For example, you have that kind which has been identified and you know about, and you have the part that has not been identified and you have not found out about. Of course, it is very difficult to estimate how much there is of the fraud that has not been identified.

In the fraud category, particularly, the General Accounting Office made a study of 21 agencies. We covered a 2½-year period ending March 31, 1979, and we found that there were 77,000 reported cases in those 21 agencies. The amount of money involved was not as large as many estimates have been made. The total amount of money involved was in the neighborhood of $250 million.

This, of course, is the identified part of the fraud and we are not sure how many cases there may be of fraud that has not been identified. But that was limited only to, I might mention, things that the Federal Government was responsible for. In other words, if a State had the money or a city had the money and the fraud was committed at that level, we would not have that kind of information because we dealt with the files that each of the agencies have with regard to particular fraud cases that came to their attention.

But that is kind of a general ballpark figure for the whole Government. We do not have good statistics on just this program alone.

Senator Quayle. In regard to the $250 million that you talked about, or 77,000 cases in 21 agencies—that is, $250 million out of what total amount of moneys expended? Do you have a percentage figure?

Mr. Scantlebury. We have not made that to a percentage——

Senator Quayle. I mean $250 million out of what total? That is what I am trying to determine.

Mr. Scantlebury. We could perhaps compute that; we have not done it. It would be a very small percentage.

Senator Quayle. I would be interested in having that information if you could provide it. You do not have to do it right now, could you provide that later.

Mr. Scantlebury. We could try to provide that for the record, if you would like. But you have to recognize that that is only the identified fraud and we are not sure how good we are in identifying the fraud. There may be an awful lot of it going on that we are not able to identify.

[Additional information submitted for the record:]

The total funds budgeted for the 21 agencies over the 2½ year period covered by our review of known fraud cases was extremely large, about a trillion dollars. The approximately $250 million dollars in losses to fraud identified by the agencies during the same period would be an extremely small percentage, less than 1 percent.

Senator Quayle. But you reviewed 77,000 cases, or identified 77,000?

Mr. Scantlebury. Well, the agencies keep a file; these 21 agencies that we visited keep a file on each fraud case that is brought to their attention. There were 77,000 of those files that were included in our study. We actually took a statistical sample of them and we really studied about 4,000 individual cases, and our statistics are based on a projection from that statistical sample of 4,000 cases.

Senator Quayle. And of the 4,000 case you studied, in how many cases did you find fraud? Was it 4,000?

Mr. Scantlebury. Yes; these were all cases that fell under the general definition.

Senator Quayle. On the CETA program, do you have a list of the fraud cases in that particular program?

Mr. Scantlebury. We have some that came out of this particular review.

Senator Quayle. Do you have any idea how many?

Mr. Egan. There was a total of 430 cases from Labor. I do not know particularly whether they were all CETA. These were the cases that the Department of Labor had identified as fraud or illegal acts, which we then sampled. We could find out for you exactly how many of those 430 were CETA problems.

[Additional information provided for the record:]

Of the 430 fraud cases at DOL, 194 or, 45 percent involved the CETA program.

Senator QUAYLE. I would be interested in narrowing it down to the actual CETA fraud cases. I would also be interested if we could make a comparison. My question is, Is this particular program wrought with fraud any more than other Government programs? Is this something inherent in the way that the system works with the prime sponsors and the subgrantees and the lack of internal controls that makes it more vulnerable to fraud? This is what we are searching for, the question we are trying to answer.

Mr. SCANTLEBURY. I do not think that our statistics would really answer that question because there are a lot of things you have to consider, like the internal controls that we found—and, of course, now we are going down below the level; you know, we are dealing just at the Federal level and a lot of the problems that we found in our study of weaknesses in internal controls were below the Federal level.

So, the statistics that we would have would not necessarily be useful in making that kind of an assessment because so much of this money was handled and the vulnerability to fraud was below the Federal level.

Senator QUAYLE. Do you think that there is more vulnerability to fraud with agencies and subgrantees who are below the Federal level of government?

Mr. SCANTLEBURY. Well, in this particular case, we found that there were lots of weaknesses in internal controls, and when these weaknesses exist, it makes it easier. You know, the purpose of internal control is to catch fraud and prevent errors, and when you have these kinds of weaknesses in the program or in an organization that controls the program, then you are very susceptible to having that sort of thing occur.

Senator QUAYLE. It is more likely to occur in that kind of a nonfederal system rather than if the controls and the operations were retained at the Federal level?

Mr. SCANTLEBURY. No, no, I am not saying that. Whenever you have an organization that has poor internal controls, it is easier to steal from it or to make errors in that organization than it is in an organization where you have good internal controls, whether it is Federal, State or local; you know, it can be at any level.

In this program, we found that generally the internal controls in the organizations we visited were not very strong. You know, our work that we did in this particular study was aimed at trying to assess if these particular organizations have the kind of a system that make it difficult to steal from them or difficult to make errors, and we concluded no, they do not.

Senator QUAYLE. That they are vulnerable?

Mr. SCANTLEBURY. That they are vulnerable.

Senator QUAYLE. How does this compare with other Government-run programs as far as the vulnerability aspect is concerned? Would you say that the CETA, in the way that it is presently set up, is more vulnerable to fraud, abuse and waste than other Government programs or not?

I am trying to get an analysis. I know you like to stick to statistics and audits and concise statements, but I am trying to put this thing in perspective.

Mr. **Egan**. We have done another vulnerability assessment of Community Services Administration cap agencies. Cap agencies are similar in some regards to subgrantees. If anything, I would say they are similar in terms of problems with internal control weaknesses. So, I think at the local level, you run into problems, I think, in terms of strong internal controls.

I would say that the cap agencies of the Community Services Administration are probably very similar in terms of our findings. We have a report we have issued on the Community Services Administration. We would be glad to furnish that to the committee, and it has the same types of problems that we noted in the vulnerability assessment for Labor.

Mr. **Scantlebury**. Just in general, we do not believe that the Federal Government as a whole has very strong systems of internal control. By and large, what happens is that when a new accounting system and managerial system that supports it is created, it usually starts out being pretty well designed and having a good control system. But as it operates over a period of years, the controls become—well, in many cases, they are just taken off; they are eliminated.

A lot of them, you know, function through data processing systems, and over the years the data processing people take out some of the controls to make the process run more smoothly, or they need some more storage space so they take out some of the routines that are, in essence, controls.

In the area where people are the controls before you get into the data processing system, when there are personnel cuts, sometimes two persons wind up doing one job, when the original design provided for them to check on each other. Then new people come in and the way the job is supposed to function is not explained to them adequately and they do something different, which destroys the control procedure.

In industry, generally they have reviews that are made of their internal control systems; it is usually when they have their annual audit, when the public accountants come in. They check over the internal control systems and see that they are functioning adequately. We do not do that in the Government.

Sometimes, the internal auditors in the agencies will do some checks of those controls. As we are reporting here, we do some checks, but there is not a regular, routine method of checking the systems. So, a lot of them just fall into disrepair over a period of time.

So, I think you would have to say that the whole Federal Government is certainly not a model as far as having good internal control systems. We have been supportive of legislation; there are two bills in the Senate. One is called the Financial Integrity Act, which we have been very supportive of because it would require agencies to, at least once a year, check their internal control systems to see that they are functioning adequately.

Senator **Quayle**. You say that the Federal Government is not a model for an internal control system, and I will concede that point. What I am trying to get at is what kind of a system could we devise that would assure internal control. You mentioned this Financial Integrity Act. Is that the best course of action? Could we apply this to the CETA program as well?

Mr. SCANTLEBURY. Well, the Financial Integrity Act, of course, applies at the Federal level, so it would not necessarily catch the subgrantees and grantees, and so forth, that are not part of the Federal system. That is where I think the audit is important; not only the audit that is made by the Labor auditors or is made by the public accountants who do the audit [there are different arrangements] but it is a combination of two things.

You need to have the audits done, and they need to report the internal control weaknesses they find, and then the management of the agency needs to be sure that those weaknesses are corrected. I think we have had breakdowns all the way along; we have not had strong enforcement so that weaknesses get corrected and we have not had all the programs audited regularly. That is the real way that I see to bring, you know, those kinds of controls—be sure that the money is handled properly.

Senator QUAYLE. What kind of recommendation could you make to us about the CETA program from a structural point of view? I get the feeling that perhaps this so-called subgrantee program, the way that it is set up now, at least from your viewpoint is not the best; that you lose some control and you do not have the internal controls and that it would be more vulnerable to waste, fraud, and abuse than another system.

You mentioned the CAP program which is similarly set up. Well, both of those agencies have a lot of questions and a lot of documented cases of fraud and mismanagement. Do you think this is inherent in the structure that has been established for these two agencies, or is it just the management of the system?

Mr. SCANTLEBURY. Well, we really have not addressed that yet. Now, in this particular case, we took a look at the existing structure and asked, "How are the controls?" You know, we went down from one level to another to see whether there were problems in controls. We did not really address the idea of what could be changed in the system to have better controls.

You know, I guess the most important part of this system is delivering the service, and you try to construct a control system so that it will not get in the way of whatever is the best way to provide the service to the people who are to benefit. You devise a control system that will control the funds in whatever system is decided upon by the program people.

We are doing a study right now which we have just started on, in which we are taking those 77,000 cases we were talking about a few minutes ago and we are trying to identify what kinds of programs seem to be particularly vulnerable to fraud and why. We are hopeful that some of the kinds of things you are getting at may come out of that, but I do not have that information yet.

Senator QUAYLE. When do you think that study will be completed? Do you have any idea?

Mr. SCANTLEBURY. Well, right at this point we have these 4,000 statistical samples in a computer and we are getting a run out of it now which will try to identify for us the individual programs that have had the most problems with fraud and abuse, and then we are going to try to look at what point in their internal control system does it seem to be that these sorts of problems occur. Until we get that and see what we have, it is going to be very hard for us to plan what kind of a time frame we have. So, we are kind of in a preliminary stage as far as planning a time frame.

As soon as we get that data together and I get some kind of an idea, I would be glad to provide you with that.

[Additional information provided for the record:]

The following is a list of program areas where agencies identified a substantial number of fraud cases:

Agency and program:	*No. of cases*
Social Security Administration—Supplemental security income program	10,088
Department of Agriculture—Food stamps	6,536
Social Security Administration—Retirement program	2,332
Veterans Administration—Housing and loan guarantee assistance	1,259
Housing and Urban Development—FHA single family mortgage insurance	746
Social Security Administration—Title II disability	606

Senator QUAYLE. I think it would not only be interesting to this subcommittee, but I think it would be of interest to us in general. As you know, the will of this administration, which I certainly support—I do not know what the final verdict will be in the Congress—is to move toward the block grant concept.

From your testimony here this morning, it appears you feel that if you lose a little bit of control, perhaps we may have more of a problem with fraud, abuse, and mismanagement, which is something that many of us are adamant about correcting. My conclusion from listening to you today is that there have been some serious questions raised, and we had better address what kinds of controls we are going to need in order to go along with the block grant concept that we are presently trying to embark upon.

Mr. SCANTLEBURY. Well, I think Congress, of course, has to decide how much control it wants over these various programs. For example, revenue sharing has very few requirements as to how the money shall be controlled, so that there is not a great deal to audit against in that particular circumstance.

Now, with block grants, if the Congress wishes to maintain that control over those funds, you can still audit to see whether the money is properly safeguarded and whether they have the proper internal control systems over the funds. But I think it is a matter of choice as to how much control you want to relinquish when you give them the block grants.

Senator QUAYLE. Well, I cannot predict the final outcome of Congress. My own viewpoint is that we would like to give them as much authority in decisionmaking policies as possible. But I do not want to have it misused and mismanaged and go to things that are corrupt. We need accountability for these funds.

I do not want to tell them exactly how to spend it, but once it is expended, I think there ought to be accountability. It is the taxpayers' money that we are talking about and this is no free lunch where we are just going to give it out and say, "Well, you can do with it whatever you darned well please," and not be concerned or sensitive about the fraud aspect, or the waste or the mismanagement. I think these problems are inherent in a lot of the programs and something that everybody is against, but do not seem to be able to do much about.

Well, if you could give us the cases on fraud, we would appreciate it, and if you could also give us a documented figure of the CETA program, and maybe you are going to have to make an estimate on your reports on how much inefficiency, waste, and management there is. You have cited a couple of figures. Can you project that in a percentage?

Mr. **Scantlebury**. Well, the only thing that we would probably be able to project would be fraud, because that study that I talked about did not cover waste or inefficiency. It just covered fraud.

Senator **Quayle**. Of the documented fraud cases, how much of those moneys have been returned to the Government? Do you have that figure?

Mr. **Scantlebury**. We have that. Do you remember that statistic?

Mr. **Egan**. I do not know the exact number, but we could sure provide it for you. It is an interesting thing; with the 77,000 cases, only about 12,000 of them went to the U.S. attorney for prosecution. Somewhere along the way, some of those cases had been resolved administratively and dollars have been recovered. But we can sure provide the exact amount of money recovered for those 77,000.

[Additional information supplied for the record:]

According to agency records, they planned to recover about $43 million of the funds lost through fraud during the period of our review.

Senator **Quayle**. OK, also, I would like your analysis on this particular system as compared with other Government systems on the vulnerability aspect of the fraud, waste and abuse, and why this is a better system or perhaps a worse system than others that we have.

I think that is very important from a procedural point of view as we try to rewrite this legislation next year. We have got to know what needs to be done structurally. I do not think that anybody will say that there will not have to be some changes, but we are going to have to have your input.

I know you do not like to get into that analysis, but we have got to have it. I do not know of anybody else who would be more capable in dealing with these other agencies and looking at these audits and looking at these reviews. If you can give us an analytical summary of this particular structure versus others, we would be grateful.

Mr. **Scantlebury**. Well, I think we could provide you with some information on some of the weaknesses that we perceive, you know, in this particular way that these programs function. I am not sure that we can compare that with enough other Government programs. You know, we have some other ones that we have data on. I am not sure that we can give you an opinion and say, "Gee, this is a lot worse than the average Government program, or it is a lot better than the average Government program."

Senator **Quayle**. Well, there needs to be some benchmark of comparability, and I do not know how you want to establish that. Somehow, we have got to have that guesstimate to work from.

Mr. **Scantlebury**. I guess one of my feelings is that, you know, the whole Government needs to improve its internal controls. You know, fraud, waste and abuse have become a great concern of the administration and just a general concern with Government, and we need to tighten up our system. The best way I know is to have a system that is difficult to steal from.

In fact, this is kind of interesting, but one of the things we found in our study was that the average person who steals from the Government is not a hardened criminal; very few hardened criminals are caught in this. The average person who steals from the Government is somebody who has never been in trouble with the law before.

Now, some of them are Government employees—26 percent, I believe, or something like that. Others are people who do business with the Government or are recipients of welfare, and these kinds of people. Most of them have never been in trouble with the law before, but they saw that the Government system was so weak that it would be easy to steal from it. So, they succumbed to that.

One of the things that we can do is provide a very difficult system to steal from—a good, solid, tight internal control system—and we can make it difficult for those people to steal, and in that way we can shut off a lot of that fraud. At the same time, because the same kinds of controls prevent errors, we can shut off a lot of waste.

Senator QUAYLE. OK, I thank you for your participation and look forward to working with you.

Mr. SCANTLEBURY. Thank you.

Senator QUAYLE. Mr. Yeager, welcome.

Mr. YEAGER. Thank you.

Senator QUAYLE. Who are your two compatriots?

Mr. YEAGER. On my right is Mr. Edward Stepnick.

Senator QUAYLE. Would you pull the microphone up so I can hear you?

Mr. YEAGER. Certainly. On my right is Mr. Edward Stepnick.

Senator QUAYLE. How does he spell his name?

Mr. STEPNICK. S-t-e-p-n-i-c-k.

Mr. YEAGER. He is Assistant Inspector General for Audit. On my left is Mr. Mac Statham, S-t-a-t-h-a-m, Assistant Inspector General for Investigations.

Senator QUAYLE. OK. Do you have a statement?

Mr. YEAGER. Yes, I do, Senator.

Senator QUAYLE. All right; go ahead and proceed.

STATEMENT OF FRANK A. YEAGER, ACTING DEPUTY INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, ACCOMPANIED BY EDWARD STEPNICK, ASSISTANT INSPECTOR GENERAL FOR AUDIT; AND MAC STATHAM, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

Mr. YEAGER. Thank you.

Mr. Chairman, we appreciate the opportunity to appear before you today to provide information for the subcommittee to consider prior to developing and evaluating new employment and training legislation. With me is Mr. Edward Stepnick, Assistant IG for Audit, and Mr. Mac Statham, Assistant IG for Investigations.

Auditors from the Office of the Inspector General and the predecessor audit organizations in the Department of Labor have conducted periodic audits of CETA prime sponsors and other CETA grantees and contractors for 7 years. These audits generally serve as a basic tool for preventing and detecting unauthorized expenditures and seeing that the Congressional intent of CETA is carried out.

Audits are required to be conducted not less than once every 2 years. We have, in the Office of Inspector General, not been able to fulfill this requirement. Approximately 85 percent of our audit resources have been devoted to CETA. Yet, until March 1981, there were prime sponsors that had never been audited. If resources had been available to meet this audit requirement, CETA grantees could have been audited at least three times by now.

Recent changes brought about by attachment P of OMB circular A-102 and departmental regulations allow grantees to arrange for their own audits. These provisions are allowing us to close some of the gaps in audit coverage that have occurred in the past. However, all of the gaps will not be closed. These provisions only apply to State and local government grantees, not to nonprofit organizations at this time. Further, grantee-procured audits will require careful supervision and quality assessment by the Office of Inspector General.

During the 12 months ending March 31, 1981, our work resulted in the issuance of 319 audit reports on CETA grantees and contractors. Specifically, these audits evaluated whether financial operations were properly conducted, financial reports were fairly presented, and recipient organizations complied with applicable CETA requirements. They covered programs operated by CETA State and local prime sponsors (157), Indian and other native American grantees (4), migrants and seasonal farm worker grantees (22), Job Corps Center contractors (29), and special activity programs for research and demonstration projects administered by the Office of National Programs of the Employment and Training Administration (107).

These audits resulted in numerous recommendations to strengthen accounting procedures and internal controls, and provided management with information on how to operate programs more economically and efficiently. We questioned $153 million in program expenditures primarily due to noncompliance with program requirements or an accountability gap resulting from inadequate documentation to support the validity of program expenditures.

Our audit experience shows program management problems in three general areas: first, the enrollment of ineligible participants; second, poor financial management systems; third, inadequate monitoring of subgrantee activities. Of particular concern are problems at the subgrantee level which could have been avoided if proper controls had been implemented and exercised by the prime sponsors or recipients. Subgrantee monitoring must be improved for the CETA program to operate properly because subgrantees spend most of the money and deliver most of the services.

The CETA amendments of 1978 provided for independent monitoring units and eligibility verification systems to be placed at all prime sponsors. Because of the time required to implement and staff these units, we are just beginning to audit areas where these units are in place. We hope to be able to determine how successful these units have been in eliminating the enrollment of ineligible participants. At this point, our audits continue to show ineligible participants in the program. In our most recent semiannual report, over $3 million was questioned in this area.

Our audits show the current most prevalent problems to be those associated with the monitoring of subgrantee activities and poor financial management systems. In our March semiannual report, over $27.5 million was questioned because of unresolved subgrantee audits. However, further analysis of the $27.5 million would show the underlying causes to be attributed either to ineligible participants or poor financial management systems.

Common financial management system problems identified at both the grantee and subgrantee level have been insufficient documentation to support program costs, financial reports not traceable to accounting records, improper indirect cost plans, and violation of cost limitations.

Many of the deficiencies disclosed in the 319 reports issued during the past 12 months were also disclosed in prior audits. There has been a lack of aggressive corrective actions designed to implement sound financial management systems and eliminate weaknesses in internal control. Other contributing factors have been the complexity of the CETA programs and their regulations and a lack of concern about accountability by some grantees and subgrantees.

Everyone recognizes that administering the CETA program is an administrative challenge of immense proportions. CETA activities vary widely and the regulations are complex. While there has been some progress, significant improvements still are needed to insure that the prime sponsors who deal with subgrantees write effective contracts, properly monitor and audit their activities, and take timely and adequate corrective action to resolve weaknesses.

Another problem attributable to the lack of improvement in the administration of CETA programs is the fact that the Employment and Training Administration has moved slowly in the past to resolve questioned costs and related audit findings resulting from audits. On March 31, 1981, over $237 million existed in unresolved questioned costs from CETA audits. The Supplemental Appropriations Act of 1981 requires that all of these costs be resolved by September 30, 1981. Preliminary results indicate that substantial progress has been made during the 2 months subsequent to March. Approximately $100 million has been resolved during these two months.

Office of Inspector General investigative effort directed to the CETA program has, in large measure, been in response to allegations of fraud, waste, and abuse from the Employment and Training Administration, other public officials, and members of the public. As a result, our inquiries have focused on prime sponsors and subgrantees where some indication of potential wrongdoing exists. For this reason, it is impossible to characterize the results of our investigative work as typical of the entire program. As we develop our ability to initiate investigations which are based more on a random selection method rather than reaction to complaints, generalizations concerning fraud, waste and abuse in the CETA program will be possible.

Our reactive investigations to date reflect that the degree of outright, knowingly intentional efforts to gain access to CETA funds solely for the purpose of self-enrichment are relatively uncommon. However, where such instances are found, the scheme is relatively blatant and is disclosed by effective program monitoring.

We are concerned that while such schemes have been relatively uncommon, we do not have the resources to probe areas where more sophisticated criminal activities may be occurring. Experienced potential violators with a knowledge of the system could devise schemes to defraud which would be extremely difficult to detect simply generating false paperwork in connection with their grant. Such schemes would be difficult to detect by either audit or monitoring processes.

A significant portion of our CETA investigations focus on falsification of records which are used as measures of the program's success. Included are applications for CETA employment, training statistics, and records of placement resulting from contact with the program. The motivation for such crimes is self-perpetuation of programs and the resultant administrative employment as well as the availability of CETA programs for other than CETA purposes.

Mr. Chairman, I hope our comments have been helpful, and we would be pleased to try and answer any questions you may have.

Senator QUAYLE. Thank you very much, Mr. Yeager; they have been.

How many criminal cases have been uncovered in the CETA program since its inception?

Mr. YEAGER. I do not believe we have figures with us since its inception. We can give you some data on the last year, if that would be helpful.

Senator QUAYLE. OK.

Mr. STATHAM. Maybe I can just answer that, Senator Quayle. We have had, over this past year and this year to date, approximately 34 indictments.

Senator QUAYLE. Pull the microphone closer; I cannot hear you.

Mr. STATHAM. Excuse me; approximately 34 indictments over the last year.

Senator QUAYLE. 34 indictments?

Mr. STATHAM. And, to date, about 30 convictions in that area.

Senator QUAYLE. And how many of the 34 indictments—there are obviously other criminal cases that you referred for prosecution. Do you have a number——

Mr. STATHAM. Obviously, they take them as they can because of their workload.

Senator QUAYLE. Yes; how many criminal cases have we actually uncovered?

Mr. STATHAM. We have referred to the U.S. attorney about 47 cases this year. We referred somewhere in the neighborhood of 159 last year, sir.

Senator QUAYLE. All right. Over 100 last year, and of the 159, there were 34 indictments?

Mr. STATHAM. Yes, sir, and some of those have been declined for administrative purposes; others are still pending a decision by the U.S. attorney.

Senator **Quayle**. And so far this year, 47 criminal cases have been referred over?

Mr. **Statham**. Yes, sir, approximately; that was through the end of May.

Senator **Quayle**. Do you know how many indictments there are for this year? Do you have a figure?

Mr. **Statham**. Thirty-four, sir.

Senator **Quayle**. Thirty-four this year?

Mr. **Statham**. Yes, sir.

Senator **Quayle**. Is that the same as last year?

Mr. **Statham**. No; I have 34 this year, and then we had 39 last year.

Senator **Quayle**. OK, 34 so far this year.

Mr. **Statham**. That is correct.

Senator **Quayle**. OK, has this increased over the years?

Mr. **Yeager**. Well, we do not have data from the beginning of the program. You see, this is a new organization; we did not have responsibility for investigations until the Office of Inspector General was established in 1978. Our data systems really start with the inception of our program and our responsibilities.

Mr. **Statham**. Really, for a management information system, it begins at the beginning of the last fiscal year.

Senator **Quayle**. Do you have a dollar figure on the amount of money that was involved in these criminal cases?

Mr. **Statham**. Not with me; I do not, sir.

Senator **Quayle**. Could you provide that?

Mr. **Statham**. I will provide it; yes, sir.

Mr. **Yeager**. We will provide it.

[Information supplied for the record:]

The OIG referred 47 cases to U.S. Attorneys in fiscal year 1981 involving $18,876,900 in CETA funds. OIG investigations indicate $2,131,400 of fraud was involved in these cases.

Senator **Quayle**. OK, do you also have a dollar figure on the amount for not only fraud, but waste and abuse? Do you have a total figure on that?

Mr. **Statham**. That is a very difficult one, sir.

[Information supplied for the record:]

No data is available which will show the amount of fraud, waste and abuse in CETA. OIG investigations of CETA are in response to complaints. Our findings in these cases provide no basis for projection to the entire CETA program. In addition, our data provides information on fraud in investigations in which we find criminal activity. This data does not consider the dollar value of contracts investigated in which no fraud was found.

Senator **Quayle**. I know it is. Everyone keeps telling me how difficult it is, but everybody wants to have it.

Mr. **Statham**. We are toying with a system right now that is strictly invalid to try to capture some data that I can provide you with. But I want to emphasize that it is an invalid statistic.

Senator **Quayle**. But in your judgment from the cases that you have reviewed, you can come up with an estimate on the amount of money?

Mr. **Statham**. Yes, sir, but it will be statistically invalid.

Senator **Quayle**. OK, we will call it an invalid and inconclusive guesstimate on what it is.

Mr. **Yeager**. A guesstimate.

Senator QUAYLE. But it would be helpful just to see where we stand.

Mr. YEAGER. But it would have to be significantly qualified, Senator.

Senator QUAYLE. Pardon me?

Mr. YEAGER. Any figure we would give in this area, we would have to qualify and give you the qualifications we would place on it.

Senator QUAYLE. Fine. You know, you could tell us the procedure that you used to arrive at this figure, and we would have to take it at that value in our discussions.

Of all the funds that have been appropriated and allocated to CETA, do you have any idea what percentage of these funds have actually been audited? Have they all at some time been audited?

Mr. YEAGER. No; they have not all been audited. As I indicated in my testimony, we have been unable to audit, for example, all of the prime sponsors. We have finally been able to initiate all the audits, but they have not yet been completed, despite the fact that we are devoting about 85 percent of our audit resources to this effort.

Now, the changes that allow us to use grantee-procured audits show promise of being able to close this audit gap. We project that by fiscal year 1982, we will, given current trends, be able to meet the once every 2 years requirement and maintain a current audit coverage of the program with this heavy use of grantee-procured audits.

Senator QUAYLE. You say that not all of the prime sponsors have been audited once?

Mr. YEAGER. That is correct, Mr. Chairman. They have not all been audited one time.

Senator QUAYLE. They are supposed to have been audited three times, right?

Mr. YEAGER. Three times; that is right.

Senator QUAYLE. Is manpower the reason?

Mr. YEAGER. Manpower; resources to do the job. As the GAO testimony pointed out, when the CETA legislation was passed, the audit staff, was reduced by some 40 positions, from 140 to about 100 auditors. It is slowly being built back up, but you need the staff to do the job—even to do the job, I want to stress, with public accounting firms because you do need to exercise Federal quality control over that effort.

Senator QUAYLE. Do you mean that the Congress would place a requirement in the statutory language and then not give you the resources to carry out that requirement?

Mr. YEAGER. The requirement itself was imposed as a regulatory requirement.

Senator QUAYLE. Regulatory?

Mr. YEAGER. Regulatory requirement on the Department.

Senator QUAYLE. It is not statute; it just——

Mr. YEAGER. In our regulations.

Senator QUAYLE. How do you determine which one of these prime sponsors gets audited?

Mr. YEAGER. Which ones?

Senator QUAYLE. Yes.

Mr. **Yeager**. Well, again, we should be doing every prime sponsor every other year. Up until this time, we have been trying to select on the basis of our estimate as to where the need was greatest.

Maybe Mr. Stepnick can comment a little more fully on that.

Mr. **Stepnick**. Earlier, we were approaching meeting the cyclical requirement from the standpoint of the number of entities to be audited and just moving ahead on a time sequential basis so that we could eventually cover them all. When it became apparent that we were getting farther and farther behind, we took a look at that practice and concluded we are not going to be able to meet the requirement anyway so why not allocate our limited resources to the areas of greatest risk and vulnerability.

So, in the last few years, we have been purposefully selecting grantees who are the big spenders, ones where we have indications of prior high cost questions based on earlier audits, and places where the program officials have indicated to us that they feel there are special problems.

By beginning to take into account the factor of risk and vulnerability, in terms of total dollars we are probably doing a little bit better statistically than in terms of a percentage of the number of entities, which has been a traditional way of measuring.

When we are able to fully implement the system of grantee-procured audits, we will be able to devote our resources to the big spenders and allow the grantees to arrange audits for the less risky ones. I think that while this is not as good as having enough Federal auditors to make thorough audits everywhere, it will optimize the various audit resource systems that we have so that we can get the maximum coverage.

Senator **Quayle**. Of the 319 reports that you reviewed by March, you came up with a total of $153 million in questioned costs?

Mr. **Yeager**. Questioned costs.

Senator **Quayle**. Now, what was the total dollar amount that was audited; $153 million out of what?

Mr. **Yeager**. This was against an audit amount of $5.3 billion during the 12-month period.

Senator **Quayle**. So, 5.3——

Mr. **Yeager**. 5.3 billion.

Senator **Quayle**. 5.3 billion, and you found questioned costs of $153 million. Now, have those questioned costs been returned to the Department of Labor?

Mr. **Yeager**. No; these more recent audits are still in the process of being considered by the Employment and Training Administration; then you go through the process of determining whether to allow or disallow the costs. It is a very lengthy process before any dollars are returned to the Federal Government.

Senator **Quayle**. OK, you have the questioned costs and then it has to have a disallowed cost, right?

Mr. **Yeager**. It goes to the Employment and Training Administration for administrative action.

Senator **Quayle**. And that is out of your jurisdiction.

Are the questioned costs normally disallowed, also? What has been the track record?

Mr. YEAGER. We do not have any figures with us on the percentage of questioned costs which are eventually disallowed. I would just generalize that historically, it has been a low figure.

Senator QUAYLE. OK, you talked about the complexity of the rules and regulations that some of the prime sponsors complain about. In your review, particularly not in the criminal aspect but, in the fraud, abuse, waste, and mismanagement—did you find this to be a particular problem—perhaps onerous regulations or regulations that were ambiguous enough that the prime sponsor really did not understand what they were supposed to be doing? You referred to that in your testimony.

Mr. YEAGER. Yes; a great number of our questioned costs go to the issue of the prime or the sub failing to follow the regulations in terms of meeting eligibility criteria for participants. There is some complexity there that I think should be addressed, but I would not be able to say why the prime sponsor did not understand it or whether they did understand it. It is just a fact that a good number of our findings deal with this issue.

Senator QUAYLE. But this was a current theme and complaint from the prime sponsors, that there was simply too much regulation that imposed a burden on them that caused them to, in your eyes and perhaps in their eyes, not meet the intent of the law and the regulatory requirements? I mean, this is not an isolated case?

Mr. YEAGER. No.

Senator QUAYLE. Basically, this is a general theme?

Mr. YEAGER. That they have.

Senator QUAYLE. That they have?

Mr. YEAGER. Yes, sir.

Senator QUAYLE. I think it may not just be a general theme for CETA prime sponsors, but anybody that deals with the Federal Government.

Let me just ask you one final question. What do we have, about 50,000 subgrantees or something like that—30,000 to 50,000 subgrantees?

Mr. YEAGER. That is our best estimate.

Senator QUAYLE. We do not even really know how many subgrantees we have?

Mr. YEAGER. No; we do not.

Senator QUAYLE. What is your opinion of the system that we have? I do not know if you listened to the dialog with the last witnesses, but maybe in conclusion you could elucidate on your perception of the structure and the system that we have established for the CETA program.

Mr. YEAGER. Well, the system is designed, of course, to provide flexibility and enable the maximum amount of local self-determination in the program. From our point of view and a management control point of view, that makes it a very complicated and difficult system to insure minimum waste, fraud, and abuse.

I think if we are going to have this kind of a decentralized system and are going to control it and do a better job of minimizing waste, fraud, and abuse, we are going to have to spend a lot more time, staff, and dollars on the control aspect.

I do not think that we can have it both ways—pass the responsibility out and not audit the program and then be concerned about the complaints about waste, fraud, and abuse. There is a real expense to running a decentralized system that I do not think we fully recognize.

Senator **Quayle**. Well, thank you very much.

Mr. **Yeager**. Thank you, Senator.

Senator **Quayle**. And if you would give us some of those figures, our staff will follow up and it should be very interesting.

Mr. **Yeager**. We will provide them.

Senator **Quayle**. We appreciate your cooperation; thank you.

[The following was received for the record:]

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

Reply to the Attention of

[illegible]

Honorable Don Quayle
United States Senate
Committee on Labor and
  Human Resources
Washington, D.C. 20510

Dear Senator Quayle:

As I discussed during the hearings you held in June 1981, I have been experimenting with a system to capture data on the amount of fraud in the CETA Program. While we have no way of knowing how much fraud is actually involved, we are looking at the dollar amount of fraud we uncover against the total amount of monies in the contracts/grants we investigate. One must realize that this formula is statistically invalid and cannot be applied across the board because if we added the contracts/grants monies not under investigation the percentage would be substantially reduced. It should be noted that of the contracts/grants investigated thus far in FY 1981, the figure has remained constant at 11 percent. We reach this percentage figure by dividing the dollar amount of the CETA contracts/grants involved into the dollar amount of fraud established during our investigations. For example, using the figures accumulated since the beginning of FY 1981, we established fraud was involved in 11 percent of the contracts monies investigated.

11 percent
18876.9 ($ amount of CETA contracts involved)/ 2131.4 ($ amount of fraud established)

Following is a summary of the investigations activities in the CETA area during the period October 1, 1980 through May 31, 1981;

Cases Opened	200
Cases Closed	193
Cases Pending	263
Cases Referred to U.S. Attorney	47
Cases Declined by U.S. Attorney	33

Cases Referred to DOL Agency for Administrative Action 51

Cases Referred to Another Investigative Agency 2

Cases Referred for Local Prosecution Other Than Federal 6

Indictments 34

Judgments 0

Convictions 30

Suits 1

Fines 1/ 14.1

Recoveries 2/ 1226.7

Collections 3/ 4.6

Fraud Established 4/ 2131.4

Savings 5/ 484.4

Dollar Amount of DOL/CETA Contract 6/ 18876.9

1/ Fines are the sums of money imposed as a penalty upon defendant after an administrative hearing, civil suit, or criminal prosecution.

2/ Recoveries include the restoration, restitution or recovery of money or property of known value that was lost through a crime, mismanagement, etc.

3/ Collections are the receipt of payments of a indemnity to end a civil transaction, suit or proceeding.

4/ Fraud Established is the total amount of fraud dollars involved as determined by the OIG Investigations.

5/ Savings are the prevention of dollar value losses to the Government. This amount includes actual savings for the reporting period in contracts and grants, and projected savings in benefit payments based on program agency data.

6/ Dollar amount of the DOL/CETA Contract(s) involved in the OIG investigation.

Returned herewith as enclosure (1) is the original transcript with some minor statistical adjustments.

Please contact me if I may be of further service.

Sincerely,

A.M. STATHAM
Assistant Inspector General-
Investigations

Enclosure (1): Transcript

ORRIN G. HATCH, UTAH, CHAIRMAN
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LAWRENCE C. HOROWITZ, M.D., MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, D.C. 20510

June 15, 1981

Mr. Frank Yeager
Acting Deputy Inspector General
Office of the Inspector General
U.S. Department of Labor
Washington, D.C. 20210

Dear Mr. Yeager,

Thank you very much for taking the time to testify before the Committee's Employment and Productivity Subcommittee with respect to some of the audit and accountability problems encountered in the CETA programs.

I am sorry that I was unable to attend since I share Senator Quayle's interest in helping ETA overcome its current difficulties in regard to audit resolution and debt collection. I would appreciate very much your response to the enclosed questions for the record. Of course, since we will be relying on your answers to such questions throughout future hearings and discussions on CETA, we would also appreciate receiving your comments within a reasonable time frame.

Again, we appreciate your cooperation and look forward to working with you to effect the kind of changes which will better guarantee delivery of employment and training services to the people in our country who need them as well as which will assure American Taxpayers that their investment in such programs is being efficiently and honestly spent.

Very truly yours,

Orrin G. Hatch
Chairman

OGH/i

enclosure

COPY

QUESTIONS FOR MR. FRANK YEAGER

1. What mechanism is there for tracking audit recommendations?

2. How well has the provision for permitting prime sponsors to contract for their own audits worked? Is there specific criteria applied by ETA or the Office of Inspector General to the selection of an independent auditor?

3. Are there any CETA programs which, in your opinion, are especially vulnerable to waste or fraud?

4. You stated that additional funds were needed to better control CETA's propensity for waste and fraud. Would you venture an estimate of how much more is required? How does the current level of funding reflect the priorities of the IG's Office and how would additional funds change those priorities?

JUL 1 3 1981

Honorable Orrin G. Hatch
Chairman
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Senator Hatch:

The Office of Inspector General is pleased to provide the enclosed answers to questions submitted in your June 15 letter regarding audit and accountability problems encountered in the CETA programs.

Sincerely,

FRANK A. YEAGER
Acting Deputy
Inspector General

Enclosure

cc: DGACA
Rucker/Subkow
IG:J.RUCKER:bd:6/29/81
RM:S5030:FPB:EX:38424

Question: How well has the provision for permitting prime sponsors to contract for their own audits worked? Is there specific criteria applied by ETA or the Office of Inspector General to the selection of an independent auditor?

Answer: Our limited experience has shown that provisions which allow prime sponsors to contract for their own audits have worked fairly well. As a general rule, prime sponsors have been receptive to the idea of arranging for their own audits and have been willing to work with the Office of Inspector General to ensure the audits are conducted in a timely and proper manner. As a result, we are covering more of the audit universe and, for the first time since CETA began, we are reaching a point where CETA prime sponsors can receive sufficient audit coverage.

Regarding the selection of independent auditors, prime sponsors are permitted to use their own procedures in selecting the auditor. The only restrictions are those in the *Standards For Audit of Governmental Organizations, Programs, Activities and Functions*, issued by the Comptroller General, which are required to be used in all government audits. The most significant standards relative to selection of the independent auditor are those that define auditor independence and qualifications. The Office of Inspector General has been very diligent in explaining these standards to prime sponsors as well as providing other technical assistance. Consequently, most problems have been identified and resolved during early stages of the audits.

Most prime sponsor procedures require that independent auditors be selected from competitive bidders. The Office of Inspector General has developed criteria for analyzing and evaluating proposals submitted by independent auditors. This criteria establishes separate weights for the bidder's technical ability to perform the audit and the bid price. Examples of technical items considered are (1) the firm's size in relation to requirements of the job, (2) the firm's prior experience in auditing CETA programs, and (3) the firm's indicated understanding of the work to be performed. Although prime sponsors are not specifically required to use similar criteria, most do.

Question: What mechanism is there for tracking audit recommendations?

Answer: We shall discuss the mechanism used for tracking audit recommendations on Employment and Training Administration (ETA) programs as they constitute the vast majority of our audit findings. The mechanism rests partially with the Office of Inspector General and partially with ETA.

After the audit report is issued, ETA has 120 days to make initial and final determinations as to whether questioned costs are to be allowed or disallowed and whether the grantee is to take corrective action on other audit recommendations. The initial and final determinations are to be reviewed by OIG before issuance to the grantee.

OIG keeps detailed records to track the audit findings until ETA allows or disallows the questioned costs. Summaries of amounts questioned and resolved during each six month period are included in the Semi-annual Report of the Inspector General.

If the costs are disallowed, ETA establishes a debt to the U.S. Government and continues to track the audit disallowance until the debt is settled. ETA is implementing an automated accounts receivable system which will readily provide information for quarterly reports to ETA management and to OIG on amounts allowed, disallowed, collected and currently outstanding. The system is expected to be fully operational next month.

Question: Are there any CETA programs which, in your opinion, are especially vulnerable to waste or fraud?

Answer: Our audit and investigative activities to date suggest that private nonprofit organizations, particularly those participating in the Office of National Program awards, are more vulnerable to waste or fraud than State and local CETA prime sponsors. This is because private nonprofit organizations tend to have poorer accounting systems and poorer systems of internal administrative controls. Migrant and Seasonal Farmworkers, Indian and Native American Programs and other Office of National Program grantees consists of a large number of private nonprofit organizations, therefore, these programs may be more vulnerable, but not because of programmatic aspects. Our most recent audits of Indian and Native American grantees indicate considerable improvements in their systems of internal control.

Recent emphasis on debt collection, the fraud and abuse provisions in the CETA Amendments of 1978 and increased awareness of the audit function have contributed to improve the management of the CETA program.

Question: You stated that additional funds were needed to better control CETA's propensity for waste and fraud. Would you venture an estimate of how much more is required? How does the current level of funding reflect the priorities of the IG's Office and how would additional funds change those priorities.

Answer: We estimate that to adequately monitor all aspects of the CETA program -- ETA administration as well as grantees --it would require approximately 250 auditors. there are now 198 auditors in the Office of Inspector General to cover all programs in the Department. as more grantees begin to procure their own audits and as the Public Service Employment (PSE) programs phasedown, we anticipate there being more resources available in the Office of Inspector General and in the program areas at both Federal and local levels to monitor the remaining CETA programs.

Regarding the priorities of the Office of Inspector General, as indicated in our testimony, 85 percent of our audit staff and 60 percent of our investigative staff are used principally for audits and investigations of the CETA program. Under existing audit requirements, CETA would continue to have a very high priority if additional funds were provided to the Office of Inspector General. While resources are needed to make long neglected audits of other Department programs, we sould at the same time ensure that CETA audits are made on a timely basis with enhanced quality control.

Senator QUAYLE. Next on my schedule is Mr. Angrisani. I am told he is on his way, so we will wait a couple of minutes.

[Pause.]

Senator QUAYLE. Welcome.

Mr. ANGRISANI. Thank you, Mr. Chairman.

Senator QUAYLE. We are delighted to have you here and appreciate your cooperation, go ahead and proceed with your statement.

STATEMENT OF ALBERT ANGRISANI, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY JANET SAWYER, COMPTROLLER, EMPLOYMENT AND TRAINING ADMINISTRATION

Mr. ANGRISANI. OK, I have with me here our comptroller, Jan Sawyer.

Senator QUAYLE. We are glad to have you.

Mr. ANGRISANI. I can read the full statement or I can paraphrase it, as you choose.

Senator QUAYLE. Whichever is your pleasure; if you want to paraphrase it, that might be the best.

Mr. ANGRISANI. OK, there is one critical section that I would like to read and the rest I will submit for the record.

Senator QUAYLE. OK.

Mr. ANGRISANI. First of all, I would like to thank you for giving me the opportunity to be here. I think this hearing is called for and I think that we have something to contribute to that.

I would like to begin by starting with the second paragraph of my statement, where I say there have been significant issues raised about the operation of the CETA program by congressional committees and reports prepared by the General Accounting Office. Some of the issues relate specifically to Federal activity; others bear more directly on prime sponsor operations. In both cases, the public view of CETA is generally negative. Most of us have read far more newspaper stories about mismanagement or alleged fraud and abuse than we have laudatory commentaries on the effort. While inches of newspaper print are not a truly accurate measure, criticism of attempts by the Department and prime sponsors, in general, to manage, audit, and assess results and to account for funds certainly does have merit. I would like to take this time to share with you my view of where we presently stand.

On the subject of audit resolution, let me provide some background as to what we mean when we talk about audit resolution, and later in my statement I will go into even more detail.

The first step is the questioning of costs, when the auditors in the audit report take exception to specific costs incurred or activities conducted by the grantee. ETA then examines the audit findings, reviews any additional documentation provided by the grantee, and ultimately allows or disallows the questioned costs. It is at the point when an ETA grant officer issues a final determination that the audit is considered resolved. Costs which are disallowed are added to the ETA accounts receivable.

Since assuming office, I have examined the efforts undertaken by the Employment and Training Administration in the area of audit resolution. ETA has had a dismal record, taking years to address audit reports, failing to recapture misspent funds, and not correcting noted systems deficiencies which lead to recurring problems.

As of April 1980, ETA had 883 unresolved CETA audits. This was clearly the low point in audit resolution in CETA's history. However, over the last 12 months, ETA has taken management steps to identify amounts owed the Federal Government relative to initial costs questioned by the Office of the Inspector General. These efforts have been successful, as our audit inventory has been reduced from 883 reports to 613 in the 12 months ending March 31, 1981—a reduction of 31 percent. This simply means, however, that we have identified the amounts owed the Federal Government after an extensive review of questioned costs. It does not mean, however, that we have recouped those amounts. On each of these audits, we must then enter into a cumbersome debt collection process which I will address in a moment.

I am aware of the statutory requirements that all audits are to be resolved in 180 days; CETA audits in 120 days. Given the complexity of the issues, it is a mammoth task to deal with our current inventory by September 30, 1981. I have recently reviewed the status of the largest audits remaining in our inventory. As of December 31, 1980, 55 audit reports accounted for some $190 million. That represents 68 percent of our unresolved questioned costs as of that date. I assigned first priority to the resolution of these major audit reports in order to achieve the fastest possible reduction in the amount of unresolved questioned costs. This effort has paid off. As of the end of March, we issued final determinations on 22 of these audits, representing resolution of $65 million in costs. Data for April and May show a continuation of this positive trend.

There currently exists a national task force to address the audit inventory problem. I am reinforcing the staff of this task force in order to meet the established time frames for audit resolution.

On the subject of debt collection, ETA expects to have a fully operational automated accounts receivable system within the next month. However, even using the current manual system, it is clear to me that additions to our receivables are rising five or six times faster than our collections.

As I noted earlier, audit resolution pushes disallowed costs into the beginning of the long, uncertain debt collection pipeline. I am greatly concerned about whether we indeed have sufficient means to solve this problem quickly, or really at all.

A Federal determination disallowing costs is made in 4 to 6 months. The grantee is then entitled to a hearing before an administrative law judge. Debt collection activity must be postponed until the administrative law judge decision is rendered. At this point, we are expected to resume aggressive debt collection efforts which, given the financing mechanisms of the public jurisdictions to which we grant CETA funds and the limited financial resources of nonprofit organizations, is a difficult problem.

This entire process may take up to 3 years in some instances, and this is assuming that the grantee does not seek review of the ALJ's decision by the Secretary and then continue the case in circuit court.

Administrative sanctions to assist in debt collection are available. These include conditional approval and short funding of grants; partial termination or withholding of some funds; and potential debarment, which itself offers a hearing process.

From what I have seen to date, this process is inadequate to achieve the objective of prompt repayment of misspent funds. I intend to examine this process carefully and will most likely recommend changes.

It is my current belief that more flexibility must be injected into the audit resolution process so that we establish only those debts which reasonably ought to be collected. Once a debt is established, the collection process should be as expeditious as possible.

I would like to stop here, if I may, Mr. Chairman, and submit the rest of the statement for the record. If I can take 1 minute, I would like to review with you the critical point I would like to make here today, and then certainly respond to any questions you or other members of the subcommittee may have.

I think I can make two statements. The first statement is this: the issue of do we have CETA fraud and abuse and waste. I think the answer is clear; it is "yes." Do we have poor financial management, in particular, of the CETA system? I think the answer is "yes." There are a lot of reasons for it; they are not always what we read about in the newspapers, but the issue is clear.

We agree with GAO's findings, and one of my goals and objectives as assistant secretary for employment and training will be to address this problem. I think we have made some inroads in that area already, but we clearly have a long way to go to undo what I consider to be 4 years of terrible management.

But the big point here and the area in which you can be of some tremendous assistance to us is allowing us to air our views here today on the audit resolution and the debt collection process.

Mr. Chairman, the process that is currently in place is not one that I care to be measured against in the years ahead in terms of my ability to collect the debts that are outstanding, and I would like to explain to you why and to produce some food for thought in terms of what you may be able to accomplish in the future with legislation to help us manage the department more efficiently.

I would like to review with you very specifically 11 key steps that we have to go through to take an audit from the point of a questioned cost to money in the bank for repayment of a misspent dollar. This is a subject that I am very close to, coming out of the banking business. I tend to know a little bit about the natural incentives that have to be put into a system to collect a debt. What I am saying is that the system that we have in place today does not permit fast and prompt collection of debts due and owing the Federal Government. Let me just go through this.

The first step in this process has to do with the auditors. An auditor naturally begins by questioning a cost in one form or another. That means that be points to a prime sponsor, to a city or someone, and says, "We feel that you may owe us"—emphasis on may—"$1 million."

Well, once the auditor has questioned the cost, we go through a process of investigation, which may take 1 month, 2 months, 3 months, or whatever, until we get to a point of indicating what costs are allowed. That means we might adjust our $1 million and say, "Well, we have analyzed it further and you, in fact, only owe us $700,000." When we get to that point, we then have what we call our initial determination disallowing costs of $700,000, that is what is due and owing the Federal Government.

At that time, the grant officer must offer the grantee on opportunity to informally resolve the remaining questions. It may take 1 month; it may take 2 months; it may take another 3 months.

At the conclusion of that step, that grant officer may then decide that another $100,000 should be taken off the initial disallowed cost and perhaps reduce it to, let us say, $600,000. I am trying to go through a hypothetical case here to give this some structure. We call that our final determination of disallowed costs.

Now, we could be anywhere up to 6 months from the time that a questioned cost was initially raised. At this point the prime sponsor or the city that the disallowed cost applies to has the right to appeal to an administrative law judge.

Now, keep in mind that all during this time, that the prime sponsor is being consulted. In other words, he knows what is going on; we are talking to him; we are arguing back and forth about the costs. He has had all the input in the world, but if he disagrees with our decision, he can still go to an ALJ.

I believe right now that the administrative law judges have a backlog of some 2,500 cases involving black lung, et cetera—all types of cases. So there is no guarantee that we are going to get a prompt hearing. It may be 6 months; it may be 1 year; it may be 3 months. It depends upon the nature of the case, but it is not quick.

If the prime sponsor loses at the level of the administrative law judge, this prime sponsor then can say, "Well, I am still not going to pay you the $600,000; I am going to appeal it to the Secretary of Labor." The Secretary of Labor then may review the case. Given the time constraints of the Secretary of Labor, that may take some time. However, we have the greatest control in that process and could probably do it very quickly.

If the Secretary of Labor concurs with our findings, that prime sponsor who still has a debt due and owing the Federal Government $600,000, then has the right to appeal it to a circuit court.

After going through the cumbersome process that we have in our courts—and goodness knows how long it could take to get a hearing in a circuit court—it is possible, although not likely, that the prime sponsor might appeal it to the Supreme Court. It is the right of the prime sponsor to do that; however, that probably is not the typical case.

In any event, after we go through those months and months and months of tedious procedures, we finally get to the point where we establish that we have a debt owed the Federal Government. When that debt is determined and all those rights of appeal are exhausted, then we as a department have to begin issuing demand letters. That means, "You have exhausted your rights of appeal; you owe us $600,000."

We must send one demand letter; then we are obligated to send a second demand letter if no payment is made. Then we are obligated to send a third demand letter. At any point in this process we may be drawn into a negotiating process with the debtor to come up with a repayment agreement, if they have not paid, to resolve this thing once and for all. If we fail to collect the claim, we could send it to the GAO, and they in turn can try to go to get our $600,000.

If they are unsuccessful and the prime sponsor still does not want to pay the $600,000. They may refer it to the Justice Department. The Justice Department may then, possibly 2, maybe 3, maybe 4 years into the process, sue to get our money back.

Mr. Chairman, I have said before the Appropriations Committee and I will say it here, this is not the type of system in which I can come to you and say that I can guarantee you collection on the $302 million, roughly, in questioned costs on audits that we have right now, during the time and tenure of our administration. I can guarantee you that I will start the process, but it could very well be that the person that picks up after me some years from now may be the ultimate beneficiary of the collection process. It seems to be one that spans administrations here, and this is not a process that we can live with if, in fact, we intend to collect these funds due and owing us.

This is why I think you and your committee can be of invaluable assistance to the Department of Labor in helping to put a debt collection system into place that can put the proper incentives in place to pay back the Federal Government what is due and owing us.

When you, in fact, do this, you will be taking a major step toward the elimination of fraud and abuse in CETA because the people that are out there abusing the system will know that they do not have this cumbersome process to hide behind. That in itself will prove to be one of the major deterrents to the system of fraud and abuse.

I have now made the point that I came here to make today; we need your help. I will be more than happy to answer any questions that you or Senator Pell or any other member of the committee have. Thank you.

[The prepared statement of Mr. Angrisani follows:]

STATEMENT OF ALBERT ANGRISANI
ASSISTANT SECRETARY OF LABOR
FOR EMPLOYMENT AND TRAINING
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

June 11, 1981

Mr. Chairman and Members of the Subcommittee:

I wish to thank you for this opportunity to appear before you today. This is the beginning of an important series of hearings to examine the Comprehensive Employment and Training Act prior to its scheduled expiration of authorization in 1982. I would like to compliment you, Mr. Chairman, and the members of the Subcommittee for beginning this process now, and for the broad invitation you have extended for participation in these hearings. CETA in and of itself is a complex effort; the employment and training system of which it is a part is even more so. There is a whole range of issues before us. The opportunity provided by your hearings for informed individuals to participate in the discussion of the future of employment and training programs is invaluable.

There have been significant issues raised about the operation of the CETA program by Congressional committees and in reports prepared by the General Accounting Office.

Some of the issues relate specifically to Federal activity; others bear more directly on prime sponsor operations. In both cases, the public view of CETA is generally negative. Most of us have read far more newspaper stories about mismanagement, or alleged fraud and abuse, than we have laudatory commentaries on the effort. While inches of newspaper print are not a truly accurate measure, criticism of attempts by the Department and prime sponsors, in general, to manage, audit, and assess results and to account for funds certainly do have merit. I would like to take this time to share with you my view of where we presently stand.

Audit Resolution

Let me provide some background as to what we mean when we talk about audit resolution.

The first step is the questioning of costs--when the auditors in the audit report take exception to specific costs incurred or activities conducted by the grantee. ETA then examines the auditor's findings, reviews any additional documentation provided by the grantee, and ultimately allows or disallows the questioned costs. It is at the point, when an ETA grant officer issues a final determination, that the audit is considered "resolved". Costs which are disallowed are added to the ETA accounts receivable.

Since assuming office, I have examined the efforts undertaken by the Employment and Training Administration in the area of audit resolution. ETA has had a dismal record--taking years to address audit reports, failing to recapture misspent funds and not correcting noted systems deficiencies which lead to recurring problems.

As of April 1980, ETA had 883 unresolved CETA audits. This was clearly the low point in audit resolution in CETA's history. However, over the last 12 months, ETA has taken management steps to identify amounts owed the Federal Government relative to initial costs questioned by the Office of the Inspector General. These efforts have been successful as our audit inventory has been reduced from 883 reports to 613 in the 12 months ending March 31, 1981--a reduction of 31 percent. This simply means, however, that we have identified amounts owed the Federal Government after an extensive review of questioned costs. It does not mean, however, that we have recouped those amounts. On each of these audits we must then enter into a cumbersome debt collection process which I will address in a moment.

I am aware of the statutory requirements that all audits are to be resolved in 180 days; CETA audits in 120 days. Given the complexity of the issues it is mammoth task to deal with our current inventory by September 30, 1981. I have recently reviewed the status of the largest audits remaining in our inventory. As of December 31, 1980, 55 audit reports accounted for $190 million; that represents 60 percent of our unresolved questioned costs as of that date. I assigned first priority to the resolution of these major audit reports in order to achieve the fastest possible reduction in the amount of unresolved questioned costs. This effort has paid off: as of the end of March we issued final determinations on 22 of these audits, representing resolution of $65 million in costs; data for April and May show a continuation of this positive trend.

There currently exists a national task force to address the audit inventory problem. I am reinforcing the staff of this task force in order to meet the established time frames for audit resolution.

Debt Collection

ETA expects to have a fully operational automated accounts receivable system within the next month. However, even using the current manual system, it is clear to me that additions to our receivables are rising five or six times faster than our collections. As I noted earlier audit resolution pushes disallowed costs in the beginning of the long, uncertain debt collection pipeline. I am greatly concerned about whether we indeed have sufficient means to solve this problem quickly - or really at all.

A Federal determination disallowing costs is made in 4 to 6 months. The grantee is then entitled to a hearing before an Administrative Law Judge. Debt collection activity must be postponed until the Administrative Law Judge decision is rendered. At this point, we are expected to resume aggressive debt collection efforts, which, given the financing mechanisms of the public jurisdictions to which we grant CETA funds and the limited financial resources of nonprofit organizations, is a difficult problem.

This entire process may take up to 3 years in some instances, and this is assuming that the grantee does not seek review of the ALJ's decision by the Secretary and then continue the case in Circuit Court.

Administrative sanctions to assist in debt collection are available. These include conditional approval and short funding of grants; partial termination or withholding of some funds; and potentially debarment, which itself offers a hearing process. From what I have seen to date, this process is inadequate to achieve the objective of prompt repayment of misspent funds. I intend to examine this process carefully and will most likely recommend changes.

It is my current belief that more flexibility must be injected into the audit resolution process, so that we establish only those debts which reasonably ought to be collected. Once a debt is established, the collection process should be as expeditious as possible.

Liability

It is the area of audits and debt collection that the prime sponsor concern about liability arises. The law clearly states that prime sponsors are fully responsible and liable for CETA funds allocated to them. Thus the prime sponsor is liable for the actions of its subgrantees and contractors. We understand and appreciate the sponsors' difficulty. However, we are limited in our ability to release prime sponsors from this liability under the law and we will not routinely move to collect debts from subgrantees and contractors with whom we do not share privity. This liability issue, however, is a serious one which is creating much tension in the CETA system. It deserves careful consideration as we proceed with our examination of a reauthorization of the employment and training system.

CETA Management

I have read several reports prepared by the Office of the Inspector General and the General Accounting Office which are quite critical of the management of the CETA program both at the Federal and prime sponsor levels. Significant prime sponsor management issues related to the following: unresolved subsponsor audit exceptions, insufficient documentation of both costs and participant eligibility, unallowable costs, ineligible participants, inadequate monitoring of subgrantees, excess cash on hand, etc. From what I have seen thus far, clearly financial management is one of ETA's biggest problems throughout the system.

The 1978 CETA amendments and associated regulations attempted to deal with some of the above listed problems. They required that prime sponsors establish an independent monitoring unit (IMU) to provide oversight at the grantee level itself. Prime sponsors were also specifically required to undertake a more elaborate eligibility determination and verification process. Although based on early implementation, the effectiveness of these systems has been questioned in GAO's recently issued report regarding internal controls.

As you may know, each year ETA assesses overall prime sponsor management and performance using a standard review instrument. The areas cited above are included in this year's review. This year I will personally examine the result of the assessment process. We have trained prime sponsors, provided written guidance, and monitored their efforts in these areas. I am anxious to determine whether our attention has paid dividends. For example, the IMU and verification systems are costly. If they are not effective, the requirements should be eliminated in favor of something more workable and more effective.

In the past ETA has concentrated to a large extent on program development and implementation, participation levels and utilization of funds. It is now time to focus more on outcomes and effective financial and management practices. The future orientation of the Employment and Training Administration needs to be on performance measurement and monitoring.

Discretionary Funds

I would also like to mention the improvements we have made in controlling the allocation of discretionary resources under CETA Titles III and IV. As you may recall, it was only days after President Reagan took office that we identified that the spending plan for the CETA Title III budget was over subscribed by $7 million and that the plan for Title IV was oversubscribed by $35 million.

Given the serious nature of the problem, we necessarily made it one of our first priorities to address this problem. Our efforts in this area began with an immediate freeze on any further obligations of Federal funds. This freeze was imposed on January 21, 1981 -- our first day in office. Over the course of the following 10 weeks we undertook a review of each grant and contract that had been awarded under the Fiscal Year 1981 budgets for discretionary resources under CETA Titles III and IV. I personally supervised this process and spent much time reviewing information and assessments concerning several hundred grants and contracts.

By the end of March 1981, we had arrived at new spending plans for both CETA Titles III and IV that were not only in balance but also designed to bring about a smoother transition to the reduced funding levels projected for Fiscal Year 1982. We have also implemented new procedures that involve more careful screening and examination of projects before they are funded from these discretionary resources.

Future Employment and Training Programs

Many of the concerns that I have enumerated above will be addressed in the broad policy review that will occur as we consider the policy options for employment and training legislation in 1982 -- when CETA authority expires. Therefore, let me briefly outline what we in the Department are doing to prepare for our examination of the options for employment and training programs beyond Fiscal Year 1982.

About two weeks ago, I announced the formation of a task force within ETA to coordinate our efforts with those outside of the agency. This task force will be responsible for contacting the broadest possible range of informed individuals throughout the employment and training community and eliciting their views on what future legislation should contain. Through this process, we will begin to develop the critically needed data and analyses necessary to formulate a legislative proposal that builds upon what we have learned and addresses the problems that we have identified.

We have developed and given wide distribution to a list of what we consider to be the major issues on the employment and training agenda. These issues are intended to focus the dialogue and to stimulate knowledgeable individuals to propose viable options for improving our services and their effectiveness. I can assure you that my staff and I will be available throughout the coming months to work with you as you consider the issues and options available in developing employment and training legislation.

In the short time available to us, both the Congress and we in the Department will have to assess numerous policy options and determine which are most likely to improve the employment and earnings of those we serve. Clearly, there are many important administrative and policy issues that we will have to address in the next round of employment and training legislation. By working together, I am confident that we will be able to devise a system that effectively meets our objectives.

This concludes my prepared statement. As this time, I would be pleased to answer any questions that you or other members of the Subcommittee may have.

Senator QUAYLE. Well, thank you very much, Mr. Angrisani, and I certainly appreciate your testimony and I appreciate your cooperation with me and with other members of this committee and with our staff.

I compliment you on the appearance of the positive trend that you do have going in the management and the collectability of some of the debts that we have and trying to get a more precise system on our debt collection and audit resolution process.

Those 11 steps that you just went through—is that all mandated by statute, or by regulatory requirements?

Mr. ANGRISANI. The most time-consuming and uncertain steps are mandated by statute.

Senator QUAYLE. It is all put in there by statute?

Mr. ANGRISANI. The really troublesome steps are mandated by statute.

Senator QUAYLE. So, it is going to take statutory language to undo the rather cumbersome administrative nightmare that you have just described?

Mr. ANGRISANI. Yes, sir; that is my belief.

Senator QUAYLE. Basically, what you said is once a cost is questioned in this program, it may take 3 or 4 years before you get into the actual suit to get any kind of enforcement.

Mr. ANGRISANI. Yes, sir, we have some cases now that have gone 5 years and they are finally to the point where we can sue the individuals to collect the money I have found out this week. As it turns out, the individuals that we can sue have disappeared from the scene and we just cannot even find anybody to sue.

Senator QUAYLE. You said that you have $340 million in questioned costs now?

Mr. ANGRISANI. Yes, sir; that is the figure as of March 31.

Senator **Quayle**. What is the size of the debt that you feel is owed to the Government now?

Mr. **Angrisani**. In terms of what we have been able to take, I believe, to the point of a disallowed cost or a cost due and owing the Federal Government, which means that portion that we have identified to date in our audit resolution process, it is about $43 million. As we clean up these audits, that number will obviously grow proportionately.

Senator **Quayle**. So, the size of the debt right now is $43 million?

Mr. **Angrisani**. The identified debt.

Senator **Quayle**. The identified debt.

What kind of success have you had in the past in collecting this debt? Usually, it is probably the subgrantee, is it not, that is liable for this?

Mr. **Angrisani**. Yes; it is at the subgrantee level that many of the questioned costs arise. However, it is the prime sponsor that is liable.

Senator **Quayle**. Have we been very successful in that?

Mr. **Angrisani**. Good portions of it are with the subgrantees. The numbers that we have right here in front of us, given what was a poor financial management system in place previously, which is obviously going to get better, are about $4.8 million in collections.

Some of that is not cash collections; some of that is offset for future services and a whole variety of things that we identified could happen when we got down to the debt collection process where we entered into a negotiating phase.

So, we have collected, in terms of CETA fraud and abuse over the last 6 months about $4.8 million.

Senator **Quayle**. Could you explain the liability issue to me a little more fully than what you went into in the testimony, which I read last night and thought was very good. I would like to know more about the liability of the prime sponsor, how we can hold them to and expect them to be liable when they are subcontracting these grants out?

Mr. **Angrisani**. Well, according to the statute and the CETA Act itself—the prime sponsor is liable for misspent funds. And the subgrantees—there are some 50,000, as you indicated before, Mr. Chairman—are, in fact, in this decentralized system, accountable to the prime sponsor. So, if a subgrantee, for example, is misspending funds, we hold the prime sponsor accountable for that. The notion is not bad. I mean, it is a decentralized system and when you have this much money and this many people going through it, you have to operate decentralized.

What we are lacking, really, are the controls, the mechanism, the discipline, and ultimately the enforcement tools to make the word "liability" mean something. We can do things on our end in terms of the way we audit those prime sponsors for that liability. We can be more strict; we can come down on them harder. We can move greater portions of our operation over to onsite monitoring.

Quite frankly, with the elimination of Public Service Employment [PSE], our problems will be simplified a great deal because the bulk of our grants and contracts are in the area of PSE. So, our critical mass is going to shrink considerably. The management spectrum that we have to deal with is going to be much smaller.

But the real issue, Senator, goes back to what I was talking about before. Without the word "liability" meaning something and without a prime sponsor, for example, knowing that in a very short period of time, if a misspent fund is identified, that prime sponsor, in fact, is going to be responsible for it. Future funds will be offset, or they can have their charter revoked or their prime sponsorship revoked, or they, in fact, can be debarred without a cumbersome legislative or legal procedure. Without that, we, in fact, will not be able to effectively make the word liability stick.

I can guarantee you this: I can guarantee you that our department can identify fraud and abuse if we have the resources to do it. We can bring that fraud and abuse dollar to the point of a disallowed cost, meaning we can go through that process and come to some fair determination based upon an investigation of what is due and owing us.

But beyond that, it is truly out of our hands, and that is where I lose control over the word "liability," and quite frankly I think that the Senate and the House do as well. So, the only way to make the word "liability" mean more is to put a meaningful enforcement provision into whatever new legislation we get.

Senator QUAYLE. OK, one final question and then I will turn it to Senator Pell.

I know your background in management and banking, and appreciate your expertise in that area. I find it rewarding that, you would be in this particular area because we could use some expertise in management.

I wonder if you would care to comment on the system that we have now for CETA. You mentioned—and I had referred to it earlier—the estimated 50,000 subgrantees. From a management point of view and from an efficiency point of view, do we have a good system?

Mr. ANGRISANI. Quite frankly, no. I think any management system—and I do not mean to isolate the CETA system as one to pick on, but since it is the subject here, we can talk about it, an effective management system, at least the way I understand it—is one where you have clearly defined goals and objectives, you have management controls, and you have the ability to reward as well as to punish, so the performers can move ahead and the nonperformers drop out of the picture so that you get the maximum efficiency for your dollar investment. Without getting into a big discussion of management principles, those are essentially the key fundamentals to making something work.

Our problem is this: I think the way CETA was originally drawn and the way it was originally set up, it could have been an effective management system. I think when you read through the initial legislation—and I have tried to become more familiar with it—the mechanisms are there. It works on a decentralized basis, which is fine. It has established accountability at a prime sponsor level, which is essentially municipalities. Whether you feel that municipalities should be the only prime sponsors is not the issue. I think perhaps there should be more sometimes, or different types, but they have established accountability.

Where the system is broken down is this, Senator: What has happened with CETA is that increments have been added on, from what I can see, and this is my layman's opinion. Increments have been added on at a fairly quick rate in terms of the ability of the organization to digest the management task in front of it.

For example, in 1973, the basic CETA system was put into place and they had several billion dollars to work with at that point. They did not really get control of that before more money started to be added on to it. And then in 1977, they threw the big dollars associated with PSE into it, and all of a sudden they had all these dollars to manage and all these different objectives and goals that were legislated on them.

Nobody ever really had the chance to sit down and say, "How can I grow to that?" So, essentially, CETA became a vast holding company with about $11 or $12 billion in assets in it and no real clear, defined objectives; no clear management posture; no central, critical, mass-based core of operations that it could call home, and then expand on.

What we have right now, as far as I can see it, is a totally disorganized system where a lot of people are trying to make it work, but where essentially there are no management tools and no management disciplines in place.

I think that with the critical question that we have, quite frankly, the new legislation is a blessing in disguise. I think that if we tried to go back and correct this system in its current form, the job of correcting it in its current state would be a monumental one. I think the new legislation gives us an opportunity to start from ground zero and to move forward. If I were a manager coming in and we did not have the legislation, I think right now—and I would hope that I could reserve the right to change my mind—I would think right now I would say scrap the whole thing and start all over again, because I do not see in place right now the critical management structure and tools to make it work without a great deal of pain and without a great deal of reorganization.

So, we might as well use this opportunity for new legislation to come back and reorganize it, and I hope that that is where I will be of some value to you.

Senator **Quayle**. Thank you very much.

I turn to the very distinguished Senator from Rhode Island, Senator Pell. Thank you for coming. Do you have an opening statement you want to insert? Do whatever you wish.

Senator **Pell**. Thank you. I really just came to congratulate you on holding these hearings, because we get so pressed with all the minutia of the challenges and events that come by day by day that we do not do what we should, which is oversight.

I think you, Senator Quayle, are very much to be commended in running these hearings. I know that I have been remiss in past years in the Education Subcommittee; we have not had the oversight hearings we should, or gone through those three or four piles of reports—each one 4-feet high—that come in each year, and read them. But what you are doing is excellent.

I just wanted to say also that CETA has, in my part of the country, in New England, played a very significant role indeed. It has helped a great deal. There have been some abuses, and the abuses, when they have occurred, I am glad to hear are going to be investigated.

It has always seemed to me a little wrong that a man, if he steals a bicycle worth $100, goes to jail for a year, but if he steals $1,000 from the taxpayers, he gets a tap on the wrist. I hope you do investigate the people who have cheated the Government as well as you can, and not just for restitution, but for some kind of punishment as well.

I would also like to ask the witness how he feels on block grants, because it seems to me that block grants are absolutely counter to centralized controls. I do not mean to lead you into a trap here, but as you know, the new administration is all for block grants.

How will you as part of the new administration bring more efficient administration to your program under the block grant concept?

Mr. ANGRISANI. That is a good question; it is one we have been thinking about, obviously, trying to anticipate the block grants going through, or some form of block grants going through.

I think the answer to that, Senator, is that in the process of reorganizing the CETA system, many of the functions that we are doing right now here at the central office in terms of administrative oversight—the paper processing mechanisms that will disappear in a block grant mode—can in fact be moved to the area of performance monitoring and performance-based management.

In this process of performance-based management, I think the controls that we would place upon the ability of a prime sponsor to meet two things—first, its placement goals against the initial program goals, and, second, financial goals consistent with the financial program—are the critical elements.

Senator QUAYLE. Excuse us.

Mr. ANGRISANI. That is all right; that was a tough question anyhow.

[Pause.]

Senator QUAYLE. I am going to excuse myself. I have to give testimony on the House side on a problem that we have in Indiana.

Mr. ANGRISANI. OK.

Senator QUAYLE. I am going to turn the hearing over to Senator Pell, who will preside until approximately 11:15. Whoever is still here at that time—I will be back.

I presume that you will be excused by then and we will be on to our next witness.

Senator PELL. Yes; and I would recess it at that time.

Senator QUAYLE. Recess it at that time, and then I will come back.

Thank you again, Mr. Angrisani, and we appreciate it.

Mr. ANGRISANI. Thank you; my pleasure.

Senator QUAYLE. And thank you, Senator Pell.

[Whereupon, Senator Pell assumed the Chair.]

Mr. ANGRISANI. If I might just add to that, Senator, I think one of the critical items that would help bring this into focus is that right now we have thousands and thousands and thousands of individual grants that we monitor either in the field or at the head office.

We are moving slowly away from that posture of having that many grants, into a posture, I believe, with this block grant concept where we will have a smaller nucleus and we can put fewer people on that particular task of following the language, performance against the grant, and so forth.

I think it is fair to say that we really do not do that well right now because we have so many grants. It is part of the comment I was making before about the add-ons. We just never staffed or managed to handle that type of volume. With fewer individual grants to monitor, the people that we have can be moved into this performance-based oversight or monitoring system that I am talking about, which is essentially consistent with the type of posture used in any corporation or holding company that would have 50 satellites to look at.

Senator PELL. Fifty what?

Mr. ANGRISANI. Fifty satellites, which would be 50 block grants. I think that those individuals that are looking at those block grants will be looking at a couple of critical things. They would be looking at the ability of the State and the prime sponsors in that State to comply financially with the requirements included in the block grant. They would be looking at the compliance of the State, or the ability of the State to meet the original goals and objectives put on placement.

I think this is a critical point of what we are all about. If we cannot focus in on placement goals so that we do not have this debate of placing 33 percent of our people or 45 percent or 26 percent—is that good or bad—if we cannot identify a goal that we think is good in this legislative process, then we are missing the mark here, I think, again.

So, they should be monitoring that, and they should also be monitoring essentially the overall management posture of that State with the program, fulfilling essentially an audit function in a major corporation.

So, I see a universe of grants that we have out there now, both under title III discretionary and our other programs, shrinking to, hopefully, 50 and taking our people and moving them more into performance-based oversight processes. We are working, as I said, very hard to put that in writing and to specify procedures, and I think we are going to come up with procedures that are much simpler than we have in place right now and fewer regulations in the process, I hope.

Senator PELL. I still would be interested in a simple answer. Would not block grants, per se, have a deleterious effect upon establishing a centralized control system?

Mr. ANGRISANI. The centralized control system would be here in Washington. I think that we would have to have those controls. I am just saying that we would have 50 separate groups to monitor as opposed to the 476 that we have right now.

So, I would not in any way want to suggest that we would be giving up, you know, the critical elements of our centralized control here in Washington. We need that. That is the nerve center of the whole system. But I think we can reduce the number of entities in the field under the block grant concept so that it is a little more manageable with us.

I think to make that work, the issue of liability and the subject I touched on previously of giving us the ability to penalize those that are not complying with the tone of the legislation and the direction of the legislation, are critical. As I indicated before, I do not think that right now we have the ability to penalize those that are not complying.

Senator **Pell**. What?

Mr. **Angrisani**. I do not think right now that we have the ability to penalize those that are not complying with the legislation.

Senator **Pell**. Yes; but those who have deliberately cheated can be prosecuted and sent to jail, can they not?

Mr. **Angrisani**. Well, they can after an extremely cumbersome process and procedure. The subject that we mentioned previously was that we need to streamline that procedure so that the penalty is closer to the point of the infraction as opposed to dragging it out.

I cited a case where we have identified seven or eight situations where money is due and owing the Federal Government and because of the cumbersome process that we had to go through in audit resolution, those recipients, 5 years after the point of the infraction and the point of the identification of the misspent funds, are no longer anywhere to be found.

Senator **Pell**. I hope that as you examine the infractions and the abuses that have occurred, you will concentrate on those that have occurred most recently, because as you know, the amendments of 1978 have hopefully remedied some of these problems. There is no point in focusing on events that occurred prior to 1978. I would focus on those of the last 3 years. Is that what you are doing?

Mr. **Angrisani**. Yes; we are trying to do just that. At the same time, we are trying to break them down so that we hit the biggest dollar volume first. For example, we have identified about 55 specific accounts that contain approximately 60 percent of all the funds that we feel are due and owing us. So, we have prioritized them by order of the claim, which we feel will work fairly well.

Senator **Pell**. Thank you very much indeed, Mr. Angrisani. You should be prepared to answer any other questions that are submitted by other members of the subcommittee in writing.

Mr. **Angrisani**. We will be more than happy to do that. Thank you, Senator.

Senator **Pell**. Thank you very much.

[The following was received for the record:]

[illegible]

United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, D.C. 20510

June 11, 1981

Mr. Albert Angrisani
Assistant Secretary for
Employment and Training
U.S. Department of Labor
Washington, D.C. 20210

Dear Mr. Angrisani,

Thank you very much for taking time to testify at the hearing of the Employment and Productivity Subcommittee this morning with respect to the CETA program.

I regret that my schedule did not permit me to attend because I believe with Senator Quayle that oversight on the existing programs is critical to the reauthorization process. I had a list of questions for you, which I enclose. I hope you will be able to respond to them in a timely fashion for inclusion in the hearing record.

Again, I personally appreciate the cooperation we have received from you and your staff at ETA. I think I speak for the Subcommittee Chairman as well when I say that we are anxious to work with you in ironing out the deficiencies in our federal employment and training policies.

Very truly yours,

Orrin G. Hatch

Orrin G. Hatch
Chairman

OGH/i

enclosure

QUESTIONS FOR MR. ALBERT ANGRISANI

1. Mr. Angrisani, you mentioned that you have taken management steps to identify the amounts owed to the government. Would you briefly describe these management steps and the system you have employed to monitor the progress of individual audit resolutions and debt collection?

2. Just to clarify a part of your testimony, you have stated that as of December, 1980, 55 audit reports for $190 million or 60 percent of the of the unresolved questioned costs. Does this figure include allowable costs as well, i.e., does the $190 million figure represent only the amount which is currently tied up in reviews to determine whether or not funds were properly spent?

3. How is this amount of money in question shown on your records of account? Is it included under expended funds or under its own column?

4. To what can you attribute the fact that it takes from 4-6 months to make a determination concerning the allowability of costs? Realizing that you have had only a short time in office, have you given any thought to specific ways in which this process can be speeded up?

5. ETA's Office of Inspector General testified that as of March, 1981, there were $237 million in unresolved funds. You have testified that as of December, 1980, there were $190 million in such funds. This suggests that the level of potentially misspent funds has actually increased by $47 million in only three months time. Is it a correct assumption that GAO and internal audits are being completed at a faster rate than the agency's resolution of identified disallowable costs?

6. Is there a criteria applied to identified disallowed costs to determine which will be vigorously pursued for repayment and which will not?

7. Is there a training seminar for CETA prime sponsors to help them get a grip on what is expected in terms of accountability and oversight of their subgrantees?

8. Does ETA have easily accessible statistics regarding the number of enrollees in all CETA-sponsored programs, the average number of enrollees per program, or per prime sponsor?

9. It was stated that ETA does not know precisely how many subgrantees there are. Have you found this information dispensable?

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

JUL 20 1981

Honorable Orrin G. Hatch
Chairman
Committee on Labor and
 Human Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Your kind letter of June 11, 1981, following our appearance at the Employment and Productivity Subcommittee oversight hearing on CETA, was appreciated.

My response to the questions you posed in connection with the hearing is enclosed. A copy of this correspondence is also being forwarded to the Subcommittee with the transcript for inclusion in the hearing record.

Certainly, with you, I look forward to our continuing, joint effort to achieve our mutual goal--an improved employment and training system.

Sincerely,

Albert Angrisani

ALBERT ANGRISANI
Assistant Secretary of Labor

Enclosure

RESPONSE FOR RECORD
HEARING OF
EMPLOYMENT AND PRODUCTIVITY SUBCOMMITTEE
JUNE 11, 1981

Question:

1. Mr. Angrisani, you mentioned that you have taken management steps to identify the amounts owed to the government. Would you briefly describe these management steps and the system you have employed to monitor the progress of individual audit resolutions and debt collection?

Answer:

I have taken the following steps to identify the amount owed ETA:

-- Mounted an intensive campaign to assure that all audits over 6 months old are resolved by September 30, 1981. About 92 percent of debts owed ETA arise from audit disallowances. By resolving audits promptly, we expect to identify millions of dollars in debts (accounts receivable) owed the Government. As a part of this campaign, we required ETA officials to resolve all audit reports more than six months old by the 9/30/81 deadline.

-- Expanded a national office task force responsible for resolving audit reports.

-- Directed responsible ETA officials to fully implement our new Accounts Receivable System. I expect all accounts receivable to be established in the automated system by 7/31/81, a job that is now about 90 percent complete.

This Accounts Receivable System will:

-- Track costs questioned on audit reports from the time the audit report is issued, through the audit resolution process, to final disposition (e.g., collection or termination) of the debt.

-- Tell us what is happening at each stage of the process so that we can manage this effort. Thus, we'll know where the bottlenecks are and what manager is responsible for them.

Question:

2. Just to clarify a part of your testimony, you have stated that as of December, 1980, 55 audit reports (accounted) for $190 million or 60 percent of the unresolved questioned costs. Does this figure include allowable costs as well, i.e., does the $190 million figure represent only the amount which is currently tied up in reviews to determine whether or not funds were properly spent?

Answer:

As of 12/31/80, ETA had 55 outstanding audits which accounted for $190 million in unresolved questioned costs, or 68 percent of the total questioned costs unresolved at this time.

Thus, a relatively small number of audit reports accounted for most of our unresolved questioned costs. An "unresolved questioned cost" is a cost, challenged in an audit report, which the grant or contract officer has not yet resolved--allowed or disallowed--by issuing a final determination to the grantee or contractor.

These 55 major audits account for only part (68%) of the total unresolved questioned costs ($279 million) as of 12/31/80. As I mentioned in my testimony, we made resolution of the 55 major audits a priority project in ETA, a management emphasis that has paid off.

Question:

3. How is this amount of money in question shown on your records of account? Is it included under expended funds or under its own column?

Answer:

ETA and OIG both have systems which track questioned costs from the time the final audit report is issued. We are interested in questioned costs as an important item of management information, not as data for official accounting records.

When questioned costs are disallowed, ETA establishes the accounts receivable in the formal Departmental accounting records. At the same time, we reduce expenditures charged to the grant, contract, or annual plan against which the cost was disallowed. (In effect, a disallowance is ETA's rejection of costs which a contractor or grantee already has charged against that grant or contract.)

Question:

4. To what can you attribute the fact that it takes from 4-6 months to make a determination concerning the allowability of costs? Realizing that you have had only a short time in office, have you given any thought to specific ways in which this process can be speeded up?

Answer:

OMB Circular A-73 requires all Government agencies to resolve audit reports in 180 days. Thus, 6 months seems to be the Government-wide standard.

Why does it take so long to resolve an audit report? In our experience, the following audit resolution activities consume the most time: (1) assembling of grantee documentation of costs questioned because of lack of supporting source documents; (2) arranging and conducting negotiation sessions to evaluate new grantee evidence and arguments; (3) settling disputes over interpretation of grant terms, regulations, or legislation, particularly when legal opinions are requested.

Perhaps the best way of shortening the process is to prevent problems from occurring in the first place by: (1) assuring that grantee records and audit trails are flawless long before they are audited; (2) simplifying complex, nitty-gritty grant requirements which auditors must include in their audits (at great expense) and which generate many questioned costs; (3) assuring that grantees, auditors, and grant officers are interpreting grant requirements and regulations in the same way. At ETA, we have been working hard in that direction, although these preventive solutions are necessarily long-term solutions. (For example, please see description of training in our response to question number 7).

In addition, we are reviewing all new contracts/grants to determine the status of any outstanding audits.

OMB or Congress could impose audit resolution deadlines considerably tighter than the current 180-day deadline. However, shortening the process in this manner will merely push more of the process into the formal hearings (Administrative Law Judge) process or into the courts, a cumbersome and expensive way of doing the job.

In CETA, our complex audit resolution process, outlined below, is largely required by statute.

-- Questioning of costs

-- Initial determination of allowing or disallowing costs. Disallowed costs are costs due and owing the Federal Government.

-- Informal resolution process between grant officer and grantee

-- Final determination of disallowing costs

-- Right to appeal to Administrative Law Judge

-- Secretary of Labor review of ALJ decision

-- Right to appeal to Circuit Court, and Supreme Court

-- Debt Collection Process

- Negotiations process
- Three demand letters
- Offset the debt or establish repayment schedule

-- DOL may submit to GAO for active debt collection, and/or

-- Refer to Department of Justice

-- DOJ files court suit.

As I noted in previous testimony, we will need legislative changes to streamline that process.

Also, from what I have seen to date, the process is inadequate to establish only those debts which reasonably ought to be collected and expedite the repayment of misspent funds. I intend to examine this process and will most likely recommend changes.

Question:

5. ETA's Office of Inspector General testified that as of March, 1981, there were $237 million in unresolved funds. You have testified that as of December, 1980, there were $190 million in such funds. This suggests that the level of potentially misspent funds has actually increased by $47 million in only three months time. Is it a correct assumption that GAO and internal audits are being completed at a faster rate than the agency's resolution of identified disallowable costs?

Answer:

As noted in response to a previous question, the $190 million referred only to major audits, the 55 audits that we are concentrating on to achieve the quickest, biggest impact on unresolved questioned costs. This $190 million constituted 68 percent of the total unresolved questioned costs of $279 million at that time.

Between 12/31/80 and 3/31/81, we continued to make substantial progress in reducing the number of outstanding audit reports. However, total unresolved questioned costs increased somewhat during that period because recent audits have tended to audit more dollars (per audit) and thus question more costs. During the first 6 months of FY 1981, ETA resolved 2.7 times more audit reports than were issued. Our project regarding the 55 major audits is our solution to the disparity between numbers of audits resolved and dollars resolved.

Question:

6. Is there a criterion applied to identified disallowed costs to determine which will be vigorously pursued for repayment and which will not?

Answer:

All disallowed costs are vigorously pursued for repayment and are treated alike with respect to collection.

Question:

7. Is there a training seminar for CETA prime sponsors to help them get a grip on what is expected in terms of accountability and oversight of their subgrantees?

Answer:

Two training courses have been provided prime sponsors:

-- Audit Resolution and Debt Collection for Prime Sponsors. This course trains prime sponsors in dealing with Federal audits, arranging and resolving audits of subgrantees, and collecting debts araising from subgrantee audits. In the past fiscal year, the course has been offered a number of times in all ETA regions. It has been made available to all prime sponsors and will be offered in FY 1982 as demand arises.

-- Financial Management for Non-Financial Managers. This course is intended for persons in the best position for effecting changes to bring about solid financial management -- e.g., CETA prime sponsor directors, Federal Representatives. A large part of the course relates to subgrantee management. The course is available to all prime sponsors and has been offered in 8 of 10 ETA regional offices and will be offered as demand arises in FY 1982.

A course on broader aspects of subgrantee management is in the planning stages and will be offered in FY 1982.

Question:

8. Does ETA have easily accessible statistics regarding the number of enrollees in all CETA-sponsored programs, the average number of enrollees per program, or per prime sponsor?

Answer:

Quarterly reports reflecting prime sponsor activity are provided to ETA. These reports contain a number of enrollment items by title including the cumulative number of participants served in a fiscal year, the new participants enrolled within a year and the on board enrollments as of the last day of each quarter. These data are readily available in ETA although the data lags somewhat more than one quarter because of the required reporting date from the prime, the requirements to send questionable data back to the primes for correction and the followup on delinquent reporting.

Question:

9. It was stated that ETA does not know precisely how many subgrantees there are. Have you found this information dispensable?

Answer:

It is useful to have a general idea of the number of CETA subgrantees. Such a crude estimate gives us a better understanding of the nature of the employment and training delivery system and can help us in making certain broad management decisions.

However, a precise knowledge of the number of subgrantees is not worth the effort and expense of gathering the data. ETA's relationship is with prime sponsors, who have control and responsibility over their subgrantees. Thus, ETA does not enter into and administer subgrants and therefore would not know the number of subgrantees at any point in time. Moreover, the number of subgrantees is highly variable.

Senator PELL. Our next witness is Mr. William Mirengoff, project director, Employment and Training Evaluation Project, Bureau of Social Science Research, and he will be accompanied by Mr. Harry Greenspan, Research Associate.

STATEMENT OF WILLIAM MIRENGOFF, PROJECT DIRECTOR, EMPLOYMENT AND TRAINING EVALUATION PROJECT, BUREAU OF SOCIAL SCIENCE RESEARCH, ACCOMPANIED BY HARRY GREENSPAN, RESEARCH ASSOCIATE, BUREAU OF SOCIAL SCIENCE RESEARCH

Mr. MIRENGOFF. I would like to start by thanking the subcommittee for the ooportunity to participate in these CETA hearings.

I am William Mirengoff, and with me is my colleague, Mr. Harry Greenspan.

Senator PELL. Could you talk into the mike or bring it up as close as you can? I do not hear as well as I should.

Mr. MIRENGOFF. All right. Is that better?

Senator PELL. Yes.

Mr. MIRENGOFF. For the past 7 years, I have been the project director of a series of CETA evaluation studies conducted under the auspices of the National Academy of Sciences and, more recently, the Bureau of Social Science Research.

I would like to summarize my prepared statement and limit myself to the efforts made under the CETA amendments of 1978 to protect the integrity of the employment and training program and the effect of these measures on the local administration of CETA programs.

These observations are based on my experience as the former administrator of the job corps and the public employment program, as well as on the findings of our CETA evaluation studies. However, the observations are entirely my own.

Comprehensive Employment and Training Act set out in 1973 to reform the manpower system that had evolved haphazardly over a 12-year period. It shifted responsibility for management from Federal to State, and local officials and replaced the numerous categorical programs with a block grant that would permit local officials to select the blend of programs most suitable for the unemployed population and the job market setting in their areas. Its basic purpose, however, to improve the employability of persons handicapped by market deficiencies remains the same.

CETA was barely launched when it was overtaken by the recession of 1974 and harnessed to the countercyclical wagon. Congress enacted, and later expanded, title VI. By 1978, the public service employment program accounted for more than 60 percent of all CETA expenditures. It had elbowed aside the original structural program and had become the centerpiece of CETA.

With the increasing prominence of PSE came three intractable problems: First, creaming of the eligible population—that is, the selection of persons most likely to succeed rather than those most in need; second, substitution—the use of PSE to supplant rather than supplement local resources. Estimates of substitution range all the way from 19 to 90 percent. It would require an army of auditors to trace the budgets of 471 prime sponsors; third, program abuse—in the hasty pursuit of numbers, ineligible persons were enrolled and PSE programs were approved on the basis of expediency rather than effectiveness.

The persistence of these problems reflected the difficulty inherent in a decentralized system of achieving congruence between national objectives and the interests of local officials who administer the programs. It also reflected the inadequacies of the monitoring systems both of the Department of Labor and the prime sponsors, as well as the failure of Congress to explicitly assign liability and sanctions for program improprieties.

Early attempts to address these problems met with limited success. The most recent and most successful were the amendments of the 1978 Reauthorization Act. These provisions tightened the requirements for entry into the program, restricted wage levels that could be paid to CETA workers, limited the time that enrollees could remain in the CETA programs, required the establishment of independent monitoring units in each prime sponsor area, prescribed procedures for verifying the eligibility of applicants, and held prime sponsors liable for improper enrollments and expenditures.

Reports from our study indicate that in large measure, these efforts were successful in getting the program back on the track that Congress had charted.

First, the overriding objective of CETA—to serve more fully those on the lower rungs of the socioeconomic ladder—has been achieved. Compared to the 1978 participants, the 1980 enrollees were younger, had less schooling, were more likely to be public assistance recipients, and represented large proportions of persons from minority groups.

The tighter eligibility requirements and the reduction in PSE wage levels had their intended effect of discouraging better qualified persons from competing with the more disadvantaged applicants for PSE jobs. And the new wage provisions also eliminated many of the high-paying professional and high-skilled positions which were subject to considerable criticism.

Second, with the shift to less qualified enrollees, with fewer opportunities to fill high-skill positions, and with the limitation on participant tenure, the incentives for substitution were diminished.

Third, by making prime sponsors liable for program abuses and prescribing strict monitoring procedures, program managers have become much more sensitive to the need to protect the integrity of the program.

Now, this committee is particularly concerned with this last issue--measures to tighten administrative controls. The act gave the Department of Labor as well as prime sponsors more enforcement responsibility. It directed the Department to beef up auditing and establish an Office of Management Assistance as well as the Office of Inspector General.

Prime sponsors in our study sample have all established independent monitoring units and given more prominence both to reviewing program quality and checking for legal compliance. There are, however, administrative problems in defining the role of the independent monitoring units, problems of duplication with regular activities of the prime sponsors, and problems with the procedures for follow through on recommendations made by the independent monitoring units.

Observers differ in their assessments of the effects of these units and the procedures used to verify eligibility. But, on balance, most find the result has been to systematize monitoring, increase its scope, raise the level of consciousness on the need for accountability.

There are, however, a number of prime sponsors who believe that the whole system of auditing and assigning responsibility has become too rigid and tends to inhibit the kind of flexibility and innovation that CETA was supposed to promote under a block grant philosophy. These issues are discussed more fully in my accompanying statement.

The redirection of CETA was accomplished at considerable cost. Each amendment exacted a price, and the cumulative effect was to add a host of administrative tasks to a system already badly strained. Moreover, each new prescription and proscription crafted to redress program shortcomings had the effect of constraining local flexibility and expanding the Federal role. This, in turn, weakened prime sponsor support of CETA. In a number of areas, government agencies withdrew from the PSE program because they felt that the burdens of the program outweighed its benefits.

In sum, the reauthorization changes moved the program in the direction that Congress had charted with respect to persons to be served, maintenance of effort, and program integrity. But in doing so, they added administrative complexities, diminished local autonomy, and weakened prime sponsor support for the program.

I would like to use my last few minutes to identify some of the broader policy issues which importantly, although less visibly, affect the administration of CETA and share responsibility for its difficult.

First, the limits of CETA; CETA has been a workhorse driven in all directions at once, to serve the structurally unemployed, to create public sector jobs for the cyclically unemployed, to provide essential services and fiscal relief to hard-pressed communities, and to give preference to a host of special target groups.

The issue is whether CETA can be a program for all seasons or whether, in attempting to serve all purposes, it fails to serve any.

Second, multiple goals; the multiple program problem of CETA is compounded by its liberal sprinkling of goals—some competitive, others contradictory. The pursuit of one may preclude the attainment of another. For example, sponsors are urged to emphasize the placement of participants in unsubsidized jobs, but are limited to enrolling persons who are the hardest to place.

In effect, Congress has established a host deities—gods of targeting, gods of services, and gods of placement—to whom local sponsors must pay homage. But since offering cannot be made to all the gods simultaneously, the sponsor is always in difficulty with some of them. What we need is a theologian, or maybe a regulation to establish a proper hierarchy among these deities.

Third, congruence; the underlying premise of a decentralized block grant concept is that local objectives are congruent with national policies. But there are, in fact, significant divergencies. CETA is a meld of local, State, and Federal aspirations, implemented by an array of Federal, State, and local institutions. Each partner in this triad is motivated by its own interests and attempts to shape the program to those ends.

Fourth, Federal expectations; if Congress is serious about program management under a block grant design, it must be prepared to deal with the problems associated with that system. Its expectations must be tempered by the realities of local implementation.

Do not expect a complex human resource program to be completely error free.

Do not insist upon grassroots participation by community organizations with limited expertise, and then expect sophisticated management and performance.

Do not push for rapid program expansion and then penalize prime sponsors for taking shortcuts to meet those goals.

Do not encourage innovations if you propose to penalize the risktakers who fail.

Finally, do not treat all prime sponsors as though they were identical. Flexibility is needed to accommodate differences in their situations.

Fifth, now, if there is one need that surpasses all others, it is the need for a reasonable period of stability. From its inception, CETA has been buffeted by a succession of legislative, regulatory, and procedural changes. Moreover, the size and timing of its funding has always been uncertain.

Sponsors have been strapped to an endless roller coaster; first, urged to expand enrollments, then reduce them, only to be pressed to expand them again. Responsible management is impossible under such yo-yo conditions. Employment and training programs should not be chiseled in stone, but neither should they be written on the sands.

Thank you very much.

[The prepared statement of Mr. Mirengoff follows:]

Statement of William Mirengoff
Project Director
Employment and Training Evaluation Project
Bureau of Social Science Research

Before the

Subcommittee on Employment and Productivity
Committee on Labor and Human Resources
U.S. Senate

Washington, D.C.
June 11, 1981

Mr. Chairman, Members of the Subcommittee:

Thank you for the opportunity to participate in these CETA hearings.

I am William Mirengoff and with me is my colleague, Mr. Harry Greenspan. For the past seven years I have been the project director of a series of CETA evaluation studies conducted under the auspices of the National Academy of Sciences and more recently the Bureau of Social Science Research.

This statement summarizes the efforts made under the Comprehensive Employment and Training Act of 1978 to protect the integrity of the CETA programs and the effect of these measures on local CETA operations. These observations are based upon my experience as the former director of Job Corps and the Public Employment Program and as director of the CETA evaluation studies. Although I have drawn heavily from the findings of these studies, the observations are my own.

Overview - Effect of Reauthorization Act

The Comprehensive Employment and Training Act set out in 1973 to reform the manpower system that had evolved, haphazardly, over a 12 year period. It shifted management responsibility from federal to state and local officials and replaced the numerous separate categorical programs with a block grant that would permit local officials to select the blend of programs most suitable for the unemployed population and the labor market setting of their areas. Its basic structural purpose however--to improve the employability of persons handicapped by labor market deficiencies--remained the same.

CETA was barely launched when it was overtaken by the recession of 1974 and harnassed to the countercyclical wagon. Congress enacted Title VI which authorized CETA funds to create jobs for the unemployed in state and local governments and in nonprofit organizations. Between 1975 and 1978, the public service employment programs (PSE) more than doubled (300,000 to 750,000) and accounted for 60 percent of all CETA expenditures in 1978. This countercyclical program had elbowed aside the original structural objective. PSE had now become the centerpiece of CETA.

PSE programs appealed particularly to elected officials. Indeed, in the view of many of them, PSE was the CETA program. The reasons for this attraction were not hard to discern. In 1978, CETA accounted for six percent of the 12.7 million state and local Government workers and, in some locations, it was much higher. PSE provided visible and useful services to their communities, and fiscal relief to hard pressed cities.

With the increasing prominence of PSE came three intractable problems that would prove to be the nemesis of the PSE program:

First: "Creaming"; inadequate participation by persons on the lower rungs of the socio-economic ladder;

Second: Substitution; the use of PSE to supplant rather than supplement local resources. Estimates of substitution ranged from

19 to 90 percent. It would take an army of auditors to track the PSE dollars through the labyrinths of 471 local budgets; and

Third: Program abuses; in the hasty pursuit of numbers, ineligible persons were enrolled, programs were approved on the basis of expediency rather than usefulness and were not adequately monitored. Allegations of program abuse were widespread and the negative image that resulted eroded Congressional and public support.

Each of these 3 problems reflected the inherent difficulty in a decentralized program: achieving congruence between the national objectives and the interests of local officials who administer the program. The difficulties were further aggravated by ambiguous legislation.

The first response of Congress to the drift of PSE away from its intended purposes was the passage of the Emergency Jobs Program Extension Act of 1976 that extended the life of Title VI and attempted to get the program back on the track that it had charted. It sought to increase the proportion of disadvantaged persons in PSE programs and to constrain substitution. Its efforts however were only partially successful. In the drive to reach very ambitious enrollment goals, program objectives and program quality were sacrificed to the tyranny of time and numbers.

The most recent and most successful effort to address the shortcomings of the PSE programs were the amendments of 1978. CETA came up for reauthorization in 1978, and ran into a barrage of Congressional criticism. Most of the criticisms were leveled against Title VI and almost resulted in the elimination of the program. It was saved at the last minute only by the adoption of several very far reaching amendments.

The objectives of the 1978 amendments are not very different from the aims of earlier attempts to reform the program. However, the means used to achieve these ends are radically different. The new legislation relies less on rhetoric and vaguely worded provisions that merely nibble at the edges of the problems and more on stringent requirements and self enforcing devices that drive the program in the direction that Congress intended.

The reauthorization amendments modified CETA in a number of ways, it:

1. tightened the requirements for entry into the program;
2. restricted the wage levels that could be paid to PSE workers (they have since been raised);
3. limited the length of time a person could remain in PSE to 18 months;
4. required that employability development plans (EDPs) be prepared for all Title II participants and that a training component be added to PSE jobs;
5. imposed stronger monitoring measures;
6. added a new private sector initiative program (Title VII) and folded in the new youth programs authorized under the Youth Employment and Demonstration Projects Act of 1977.

In short, Congress sought to design a "clean" program that would enroll only the "right" people, assign them to meaningful work that otherwise would not be done and move them quickly into unsubsidized employment.

Were these objectives realized? Reports from our sample of prime sponsor areas indicate that, in large measure, these efforts were successful in getting the program back on the track that Congress had originally charted.

CHART 1-1

MAJOR CHANGES IN COMPREHENSIVE EMPLOYMENT AND TRAINING ACT AMENDMENTS OF 1978

Comprehensive Employment and Training Act of 1973 (PL 93-203)		Comprehensive Employment and Training Act Amendments of 1978 (PL 95-524)	
Title I	Training programs for the unemployed, underemployed, and economically disadvantaged.	Title IIB/C	Training programs for the economically disadvantaged unemployed and underemployed (including upgrading). Tenure limited to 30 months.
Title II	Public service jobs for the unemployed and underemployed in areas of high unemployment.	Title IID	Public service jobs for the low income, long-term unemployed, and for welfare recipients. A portion of allotments reserved for training. Employability development plans required. Tenure limited to 18 months. Wages lowered.
Title III	National programs for Indians, migrant farm workers, youth and other special groups. Research, evaluation, and labor market information.	Title III	National programs for Indians, migrant farm workers, older workers and other special groups. Research, evaluation and labor market information.
Title IV	Job Corps.	Title IV	Job Corps. Summer youth programs. Other youth employment projects.
Title V	National Commission for Manpower Policy.	Title V	National Commission for Employment and Training Policy.
Title VI	Countercyclical public service jobs for the unemployed and underemployed. Part of funds reserved for short-duration projects for the low-income, long-term unemployed and welfare recipients.	Title VI	Countercyclical public service jobs for the low-income, long-term unemployed and for welfare recipients. A portion of allotments reserved for training and employability counseling. Tenure limited to 18 months. Wages lowered.
Title VII	Administrative provisions: designation of prime sponsors, planning.	Title I	Administrative provisions: designation of prime sponsors, planning. Requires sponsors to establish independent monitoring units.
		Title VII	Experimental private sector initiatives programs.
		Title VIII	Youth conservation projects.

1. The overriding PSE objective of the amendments--to serve more fully those whose needs are greatest--is being achieved. This is the first time that we have seen such a sudden and sharp change in the characteristics of the new PSE enrollees. Compared to the 1978 participants, the 1980 enrollees are:
    - younger (28% vs 23% under 22 years of age)
    - have less schooling (35% vs 25% less than high school graduates)
    - include more women (46% vs 38%)
    - more likely to be public assistance recipients (31% vs 22%)
    - are more likley to be minorities (48% vs 39%) and
    - more likely to come from low income families (92% vs 75%)
2. By fixing the liability for program abuses on the prime sponsor and prescribing strict monitoring procedures, program managers have become much more sensitive to the need to protect the integrity of the program.
3. Wage levels have been reduced and this has discouraged better qualified persons from competing for PSE jobs with the more disadvantaged applicants and has eliminated many of the professional and high skill positions in PSE.
4. With the shift to lesser qualified enrollees, with fewer opportunities to fill professional and skilled positions and with the limited tenure of PSE participants, the incentive for substituting PSE participants for regular workers has been weakened.

However, the redirection of PSE was accomplished at a significant cost:

1. Many of the changes have added a host of administrative tasks to a system already badly strained and have reduced local flexibility.
2. No provision of the reauthorization act has caused as much consternation among prime sponsors as the wage restrictions. Wage rates have been lowered in 4 out of 5 areas by an average of 10 percent. As a consequence, almost all sponsors have dropped or restructured some of their PSE positions. All areas reduced their share of professional jobs and there was a clear shift from high skill positions to laborer, low level clerical jobs and services jobs. Where jobs were "restructured," it was sometimes accomplished by creating "trainee" or "aide" positions in which little changed but the salary and title. When substantive changes in job content did occur, the diluted jobs were often of limited value to the participant or the community.

   Despite the changes in the occupational profile of the PSE jobs, CETA administrators still perceive them to be useful, although three out of four of them feel that their usefulness has been reduced.
3. The eligibility verification procedures and the liability provisions have reduced the number of ineligibles in PSE and made prime sponsors more sensitive to problems of program abuse. But:

- There is duplication in checking eligibility as prime sponsors make sure, doubly sure
- Enrollments are delayed
- Increasingly, sponsors are handling the eligibility function themselves rather than to rely on the Employment Service and other agencies.

4. The effect of these restrictive measures was to weaken prime sponsor support for PSE. Some government agencies felt that the problems outweighted the benefits and withdrew from the program.

In sum, the reauthorization changes appear to have moved the program in the direction that Congress had charted with respect to persons to be served, containment of substitution and program integrity. The driving forces behind these changes are the restrictive wage provisions and the stringent eligibility requirements supplemented by tighter monitoring, enforcement and liability provisions. But the price paid for these accomplishments was high.

Administrative Controls

The integrity of CETA public service employment programs was seriously questioned during the debate on the reauthorization bill in 1978. The criticism came from several directions. The media highlighted "horror" stories of fraud and abuse. Congressional mail described abuses in local programs. The General Accounting Office reported that CETA suffered from inadequate staff and ineffective monitoring procedures.

Even an audit by the Department of Labor (DOL) indicated that 1 in every 10 enrollees in Title VI did not meet the eligibility criteria.[1]

Several factors contributed to this state of affairs, but the most important were the emphasis on a rapid increase in enrollment in response to the economic stimulus program of 1977, the inadequacy of monitoring systems of both prime sponsors and the Department of Labor, and the failure on the part of Congress to explicitly address the assignment of liability or the imposition of sanctions inthe event of improper enrollment of PSE participants.

The effect of the pressure on prime sponsors to increase PSE enrollment from 300,000 in May 1977 to 725,000 by March 1978 was noted by Congressman Ronald A. Sarasin in August 1978.[2]

> "No system of management could have survived this rapid increase without some fraud, some abuse, and some terrible cases of mismanagement. Indeed, it is something of a minor miracle that there were not more problems than we have already witnessed."

The attempts to characterize the entire CETA program on the basis of selected incidents were resented by program managers. However, it was apparent that program monitoring was weak, accountability was lacking, and the eligibility of participants was not adequately verified.

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[1] See Information on the Buildup in Public Service Jobs, General Accounting Office, March 1978; Eligibility of Public Service Employment Participants; Economic Stimulus Appropriations Act, U.S. Department of Labor, Office of the Assistant Secretary for Administration and Management, 1978.

[2] Congressional Record, 124(124): H8164, 1978.

Congress used the occasion of the CETA reauthorization to ensure better management and prevent further abuses:

- It required all prime sponsors to establish an independent unit "to monitor compliance with the requirements of CETA";
- It required prime sponsors to install a "proven method" for verifying participant eligibility;
- It defined the liability of the prime sponsor for the enrollment of ineligible participants;
- It clarified the investigative responsibilities of various levels of administration; and
- It called for the establishement of an Office of Management Assistance in the Department of Labor to aid prime sponsors in both solving program problems and complying with the requirements of the new legislation.

CHART 2-1

PROVISIONS RELATING TO ADMINISTRATIVE CONTROLS, MONITORING, AND LIABILITY FOR NONCOMPLIANCE, COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1973 AND AMENDMENTS OF 1973

	REAUTHORIZATION OF CETA (1978 AMENDMENTS)	ORIGINAL CETA (1973 ACT AS AMENDED THROUGH 1976)
RECORDS, AUDITS	1. The Secretary shall establish standards and procedures to assure against program abuses (Sec. 123(q)). Prime sponsor plans must include specific monitoring and accounting procedures to assure adequate supervision and monitoring (Sec. 104(c)(2)). Prime sponsors must keep appropriate records and make them available for investigations by the Department of Labor (Sec. 133(a)). The Secretary must make an annual report to Congress on the delays in making audits and personnel required to complete audits in a timely fashion (Sec. 133(b)).	1. The prime sponsor must maintain records and make them available for auditing (Sec. 713). The Secretary shall not provide financial assistance unless the program has adequate administrative controls and accounting procedures (Sec. 703(12) and (14)). The Secretary shall prescribe regulations to assure adequate internal administrative controls and accounting procedures for public service employment programs (Sec. 208(d)).
MONITORING	2. Prime sponsors and subrecipients must establish independent monitoring units. The Secretary shall annually assess the effectiveness of the units established (Sec. 121(q)).	
ELIGIBILITY VERIFICATION	3. Prime sponsor must have a recognizable and proven method of verifying eligibility of all participants (Sec. 104(c)(3)). Prime sponsors are liable for the eligibility of those enrolled; they may delegate responsibility for determining eligibility under reasonable safeguards including provision for reimbursement of costs incurred because of erroneous determinations made with insufficient care (Sec. 123(i)).	
OFFICE OF MANAGEMENT ASSISTANCE	4. The Secretary shall establish an Office of Management Assistance to provide help to prime sponsors who request it or who are identified, based on complaints or audits, as not being in compliance with respect to some features of the Act (Sec. 135).	
DEFINITION OF ABUSES	5. Defines abuses as nepotism, conflict of interest, charging fees to participants, excessive legal fees, improper commingling of funds, failure to keep auditable records, kickbacks, political patronage, violation of child labor laws, use of funds for religious, antireligious, unionization, antiunionization, political activities, and lobbying (Sec. 123(g) and (j) and Sec. 131)); substitution of CETA for regular government or private organization funds (121(e) and 122(c)); discrimination (Sec. 121(a), Sec. 132)). Embezzlement, improper inducement knowingly hiring an ineligible person, or obstructing an investigation (Sec. 3).	5. Defines abuses as discrimination use of funds for political activities, religious facilities, displacement of employed workers (Sec. 703, 710, 712; 205, 208). Also embezzlement and improper inducement (Sec. 711).
LIABILITY PROVISIONS AND SANCTIONS	6. The Secretary shall have the authority to revoke a prime sponsor's plan and terminate financial assistance, after a hearing, if the prime sponsor fails to carry out provisions of the Act (Sec. 106(c)(2)). He has authority to require attendance of witnesses (Sec. 133(a)(3)). The Secretary may order repayment of misspent funds and take action if necessary against subcontractors (Sec. 106(d)(1)). He may require repayment of misspent funds from sources other than CETA funds (Sec. 106(d)(2)). Criminal penalties apply for theft, embezzlement, improper inducement, for knowingly hiring an ineligible individual, or obstructing an investigation (Sec. 3).	6. The Secretary shall, after hearings, suspend payments under a plan or portions of a plan if he finds it is not in compliance with the Act (Sec. 108). Specifies criminal penalties for embezzlement and improper inducement (Sec. 711).

The reauthorization act gives both the Department of Labor and prime sponsors more enforcement responsbility. It gives the Department of Labor new powers to subpoena records and witnesses for hearings and to recover funds directly from subcontractors as well as from prime sponsors. The DOL is instructed to conduct timely audits and report to Congress annually on results. In addition to the investigative provisions of CETA, the Inspector Generals Act of 1978 required the establishment of an independent Office of Inspector General to strengthen the Department's compliance authority.

Prime sponsors, for their part, were required to establish independent monitoring units (IMUs) to ensure compliance with the requirements of CETA. They must also have an acceptable and proven method of determining and verifying the eligibility of participants. The act holds prime sponsors as well as subcontractors responsible for enrolling persons who were not eligible for CETA programs.

The amendments arm the Department and prime sponsors with more effective means with which to prevent the misuse of funds or other irregularities and to respond more forcefully in seeking corrective action or repayment. However, program managers have identified a number of problems associated with the intensified administrative controls.

The audit rules have been criticized by prime sponsors for their rigidity and because they do not distinguish adequately between unintentional errors and deliberate fraudulent activities.[3] Many sponsors also believe that the procedures for resolving audit exceptions unfairly places the burden of proof on the sponsor. Finally, they point out that most social programs accept a small error rate, while CETA, which relies heavily on small community-based organizations and training institutions that have limited accounting and managerial resources, is expected to be virtually error free. Department of Labor grant officers have some flexibility in dealing with small disallowed costs where good faith is demonstrated and a plan of action is agreed on. However, several CETA contractors and public service employment program employers felt threatened by the possibility of disallowed costs and declined to accept responsibility for the CETA programs in fiscal 1981.

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[3] See Karen R. Eastman, "Local Liability and CETA . . . . Is the Price Too High?" County Employment Reporter, National Association of Counties, December 1980; The CETA Audit Dilemma, U.S. Conference of Mayors, Office of Urban Employment and Education, November 1980.

Independent Monitoring Units

One of the main instrumentalities that Congress relied upon to protect the integrity of CETA was the Independent Monitoring Unit (IMU). The requirement that prime sponsors establish an independent monitoring unit was expected to strengthen the stewardship of the CETA program. Although the requirement was triggered by instances of fraud and abuse, the mandate was a broad one and included program review as well. The IMU was to "monitor compliance with the requirements of this Act, the regulations issued thereunder, and the comprehensive employment and training plan" (Title I, Sect. 121(q)). The implementing regulations issued by the Department of Labor emphasized the comprehensiveness of the review responsibilities assigned to the IMU. They called for periodic monitoring and review of all program activities through on-site visits and examination of program data.

Department regulations had always required periodic monitoring of program activities and management practices. Under the reauthorization, however, there is a marked increase in the degree of specificity in the regulations and the emphasis placed on the monitoring function at all levels of administration.

By the fall of 1980, all sponsors in the study sample had established identifiable IMUs. Of 20 local areas for which comparable figures are available, 14 increased their monitoring and evaluation staff between 1978 and 1980; four reported no change and two registered declines. In addition to prescribing IMUs at the prime sponsor level, regulations require that subrecipients of CETA funds have appropriate monitoring arrangements. However, only two of the 28 sponsors insisted that their subjurisdictions have such units.

Independence of IMUs.--From their inception, the question of the independence of IMUs has been controversial. The degree of IMU independence is influenced by several factors including its organizational locus and its access to a level of authority high enough to obtain necessary information and to ensure follow-up actions. In 25 of 28 survey areas, IMUs report directly to the CETA director; in two of the remaining three areas, the IMU reports to an official in a higher administrative level.

The degree of independence is also related to management style. Eighteen of 28 cases were rated by the field research staff as having "completely" independent units, eight as "partially" independent, while two had little or no independence. However, field researchers found shades of differences in the degree of freedom in both the "completely" and "partially" independent classes.

The formal classification of IMUs may not fully characterize their status. While most IMUs were described as fully or partially independent, there are in fact informal controls in terms of subjects selected for review, procedures for presenting the results of investigations, and follow-through on recommendations.

Scope of monitoring.--It is clear that the reauthorization act intensified program supervision, extended the scope of monitoring, improved record keeping and in general engendered a greater sense of responsibility. Although nearly all of the sponsors in the sample reported some monitoring in the pre-reauthorization period, the effect of the amendments was to systematize and to increase the scope of monitoring of both program quality and compliance with legal requirements.

Monitoring is done variously through review of reports, on-site visits, interviews with participants, supervisors, employers, and reviews of records and reports. At the time of the survey in October 1980, the major activities of IMUs were eligibility verification and the monitoring of contracts to determine whether contractual obligations are being fulfilled. IMUs reviewed accounting and reporting systems of contractors, visited work sites of summer youth programs, and checked on participant attendance in jobs or training programs.

In about one-half of the areas, IMUs were also responsible for review of the CETA administrator's administrative systems and internal procedures. This included an examination of financial management, procurement, and management information systems. In a few cases, IMUs also reviewed the CETA administrators' program activities, such as intake or placement services. Several were charged with administering equal employment opportunity, affirmative action, and compliance procedures. Only two field research associates reported that IMUs attempted to monitor maintenance-of-effort requirements--the provisions of the act which specify that CETA public service employment must supplement rather than supplant regular public service jobs.

The most significant increases in monitoring between 1978 to 1980, occurred in eligibility determination and verification, public service employment program, wage requirements, enrollee training, provision of services to enrollees, and supervision of enrollees. Records and reports, and fraudulent activities also received greater monitoring emphasis.

Effect of IMUs.--Despite the increased activity, observers are not unanimous in assessing the effect of IMUs on program administration and operations. One field research associate concluded that: "IMU is basically a joke. They go through motions, but findings are not taken seriously enough to affect program management or the design of the delivery system. No corrective action [is taken] by the CETA administrator's staff to implement changes. . . IMU believes it is helping insure proper regulation interpretations, but other CETA administrator staff find they only muddy the waters." However, another observer notes that, "Setting up the IMU, getting it operational and ironing out the bugs did cause administrative burdens and created more problems than it solved. Now, with a track record and an experienced, serious IMU staff, things have changed. Many serious cases of abuse, fraud, conflict of interest etc., have surfaced and [have] substantially [been corrected] that simply would have gone undetected without the IMU effort. . . and, the IMU has the Director's ear; he is anxious to head off any scandal before it blows up."

On balance, most of the persons interviewed and most of the field research associates felt that IMUs were having some effect in strengthening the administrative aspects of CETA--eligibility determination and verification, supervision of subcontractors, and record keeping and documentation. On the other hand, more than one-half of the persons interviewed found little effect on program operations.

Among those who felt the effect of IMUs was negligible were several CETA administrators who reported having had satisfactory monitoring systems before the reauthorization. In their view, the IMU contributed little to quality control. As one PSE administrator stated: "I am confused about their purpose. We do our own monitoring. There is a lot of repetition with us, the IMU, and the regional office all hitting the service units. I question whether the IMU can do it better."

Problems in IMUs.--A survey made soon after the implementation of the reauthorization act identified several problems in installing IMUs: finding specialists to staff the units, defining responsibilities, developing approaches to monitor maintenance-of-effort and other difficult program areas, and lack of guidance in distinguishing between "fraudulent" activity and noncompliance due to honest errors or misunderstandings.

The number one problem in the most recent survey--identified in one-half of the areas--continues to be confusion over the responsibilities of IMUs. Duplication of activities with regular CETA staff and with DOL auditors, lack of guidance on corrective actions, and lack of followthrough were also cited. About one-half of the areas reported insufficient staff to handle the volume of work. In a number of areas there appears to be an undercurrent of resentment between regular staff and the IMU, sometimes expressed in a lack of confidence or support for IMU activities. Tension between IMU staff and subcontractors was a problem in several areas where the IMU was seen as a threat to the agencies.

Although many problems persist, IMUs tend to underscore the importance of monitoring and evaluation. Sixteen of 28 field research associates concluded that the independent monitoring units have engendered a greater sense of responsibility on the part of sponsors and subagents, six found that IMUs had not improved accountability, and the remaining six did not express an opinion.

The oversight system of the Department and sponsors also relies on a structure of plan reviews, quarterly progress reports, and performance assessment by federal officials. At the local level, sponsors supervise the progress of contractors through reports and on-site visits. At the Federal level, there are many points at which intervention is possible before, during and after the annual cycle of activity. There is, however, a question as to whether the size of regional office staff is equal to the task.

Eligibility Verification

The financial and criminal liability penalties for enrolling ineligible persons in CETA programs have had a profound effect on the procedures used to verify the eligibility of participants. Although the verification requirements in the law and regulations are specific and extensive, many prime sponsors have gone even further to reduce their vulnerability.

The regulations prescribe three steps for determining and verifying eligibility (Sect. 676.75-3). The process begins with the completion of an application form designed to provide the information necessary to determine eligibility. Within 30 days after enrollment, a desk review of the application is made. Finally, on a sample basis, sponsors must verify the accuracy of the information on residence, unemployment history, welfare status, and family income. Verification may consist of documentary evidence or confirmation by a third party. Although not required, some sponsors insist that applicants document selected items on the application before a determination of eligibility is made.

Liability of ineligible participants.--Prior to the reauthorization act, CETA did not specify that sponsors were liable for the costs of employing ineligible participants. To facilitate the rapid buildup of Title VI during the economic stimulus period of 1977-1978, and to enhance the role of employment service offices, prime sponsors were encouraged to enter into agreements that assigned responsibility for eligibility certification to state employment security agencies. Where such arrangements were made, neither the employment service nor the prime sponsor was liable for the costs resulting from ineligible enrollments.

To remedy this "no fault" ineligibility policy, Congress in the reauthorization amendments of 1978, made prime sponsors liable for the costs of ineligible enrollments, but permitted determination of eligibility to be delegated with the approval of the Secretary of Labor and with reasonable safeguards and provisions for "reimbursement of costs because of erroneous decisions made with insufficient care" by the delegated agency. However, the application of this rule has been controversial.

In addition to establishing financial liability, the reauthorization act makes it a criminal offense to knowingly hire ineligible persons for CETA positions. Because this provision poses a direct personal threat to individuals responsible for hiring, it may have a greater effect on the program than the financial liability provisions.

Although many sponsors report that they have always followed procedures similar to those required by the reauthorization act, the eligibility verification processes generally have become more rigorous.

The new verification requirements and the sanctions contained in the reauthorization act have significantly affected program operations. More than half of the sample sponsors in the initial survey in June 1979, reported that more time was needed to enroll participants after the act than before. Delays of three days to three weeks were cited. Prime sponsors generally take a dim view of these delays because they do not believe that the new procedures significantly reduce the number of ineligibles. They have instituted complex and time-consuming requirements only because they fear the liability attached to the admission of ineligible participants.

Although everyone agrees that accountability is desirable and that fraud and abuse should not be tolerated, there is concern that too much is now expected. Said one respondent, "The idea of a 'zero-defect' program in the social service field may not be too realistic."

Conclusions

Let me now turn to some of the broad policy issues over which CETA has been stumbling since its inception:

1. Limits of PSE

PSE has been a workhorse driven in all directions: to create public sector jobs for the cyclically unemployed, to assist the structurally unemployed, to provide essential services and fiscal relief to hard pressed communities. At issue is whether PSE can be a program for all seasons. Should local and state governments which account for only one eighth of total employment be expected to carry most of the burden of providing temporary employment for the unemployed and the disadvantaged? Alternatively, what role should the private sector play in job creation programs?

2. Congruence

The underlying premise of decentralized block grant programs is that local objectives and practices are congruent with national objectives. In fact, however, there are significant divergencies. CETA is a meld of national, state and local aspirations implemented by an array of federal, state and local institutions. Each partner in the triad is motivated by its own interest and attempts to shape the program to those ends.

However, local deviations from national objectives invites restrictive legislation and tighter compliance which in turn erodes local autonomy.

3. Multiple Goals

The congruence problem is compounded by the fact that CETA is liberally sprinkled with goals, some of which are competitive or contradictory. The pursuit of one may preclude the attainment of another. For example, sponsors are urged to emphasize the placement of CETA participants in unsubsidized jobs, but are restricted to enrolling persons who are hardest to place. Again, PSE is expected to provide essential services to communities. Yet, the wage and eligibility provisions preclude the kinds of jobs necessary to perform these services.

In effect, Congress has established a host of deities (gods of targeting, services, placements) to whom local sponsors must pay homage. But since all cannot be placated simultaneously, the sponsor is always in difficulty with some of them. We need a theologian to establish a proper hierarchy among the deities.

4. The Federal-Local Relationship

The issue of program integrity and management is closely tied to the concept of decentralization. If Congress is serious about decentralization, it must be ready to accept the problems associated with decentralization. The expectations must be realistic.

- Don't expect to run a complex human resource program that is completely error free.
- Don't insist upon grass roots participation by organizations with limited expertise and expect sophisticated performance.
- Don't keep pushing for rapid increase in numbers and hope to avoid the pitfalls of the expediencies taken to produce those numbers.
- Don't insist upon innovations if you propose to penalize the risk takers who fail.
- Don't treat all prime sponsors the same way. There are significant variations in their situations.

The CETA block grant design, loosely articulated in the original legislation, was battered by a series of legislative and programmatic developments the effect of which was to upset the federal-local balance and intensify the federal presence. As a consequence CETA is a hybrid design, neither entirely decentralized, nor completely decategorized.

The crucial question is the degree of federal oversight that will ensure local conformity to national policies without infringing upon the flexibility of local program managers. In order for the federal-local bargain to work, it is necessary to stipulate the price that the federal establishment is prepared to pay to have its programs administered by local authorities and to ascertain what the local authorities are prepared to pay for the advantages of participation in the employment and training system.

5. Stability

Finally, if there is one need that surpasses all others, it is the need for a period of stability. CETA has, from its inception, been buffeted by a succession of legislative, regulatory and procedural changes. Moreover, the size and timing of its funding has been uncertain. Sponsors have been strapped to a roller-coaster; first urged to expand PSE enrollments, then to reduce them only to be pressed to expand again. Responsible planning and mangement are impossible under these yo-yo conditions.

Employment and training programs should not be chiselled in stone but neither should they be written on the sands.

Senator **Pell**. Thank you very much indeed.

Mr. Greenspan, did you have any prepared remarks?

Mr. **Greenspan**. No.

Senator **Pell**. Fine.

What is your thought about the structure of the system as it presently stands, taking into account the 1978 amendments? Do you think it encourages fraud?

Mr. **Mirengoff**. I think that what you have is a hybrid system, neither completely decentralized nor entirely decategorized. The problem lies, I think, with the original legislation. In its attempt to paper over the differences between those who urged decentralization and those who believed in strong Federal oversight, Congress wrote ambiguous legislation that created a large gray area in which the reach of the "Feds" contends with the grasp of the "locals."

I think the amendments of 1978 moved the program a long distance in addressing the problems that have plagued the CETA programs; specifically, the "creaming" of the eligible population, the use of PSE to supplant rather than supplement local resources, and particularly the problem of fraud and abuse.

I think the monitoring program has gone a long way in constraining these kinds of abuses.

Senator **Pell**. What specific methods could be used to make the State and local governments more efficient?

Mr. **Mirengoff**. Well, this is not a matter that we have pursued in our survey. My own personal observation is that there is a crying need for program stability.

You cannot, speedily, create a program to deal with intractable human resource problems and expect efficient management, if you keep changing directions, adding new programs and new regulations, and keep changing the levels of funding. Prime sponsors cannot effectively administer the CETA programs under those conditions.

Forward funding is imperative. The prime sponsors need to know, sufficiently in advance, what their allocations are if they are to plan intelligently. The uncertainties of the program and its instability are the major impediments to an efficiently run system.

Senator **Pell**. Do you think there are any specific lessons from the CETA experience that should be taken into account as we debate the issue of block grants for social service programs?

Mr. **Mirengoff**. Well, my own view is that if you are prepared to administer a block grant system, you have got to be prepared for the risks that are inherent in that kind of a system. It seems to me there are two basic alternatives at the extremes, at least.

One is to put the money on the stump and run, and the other is to completely federalize the system. I think we have done neither, and perhaps that is inevitable. Perhaps there is not any perfect answer. Perhaps one simply must accept the fact that there is a gray area that has to be resolved. I do not know that there is any perfect answer to the question.

Senator **Pell**. I think Mr. Greenspan wanted to say something.

Mr. **Greenspan**. Well, I suggest that Congress establish a limited number of primary objectives, one of which might be serving the seriously disadvantaged. The local sponsor should be left free to achieve the objectives in the way that best fits local conditions. A large number of detailed objectives should be avoided.

Senator **Pell**. What do you think about forward funding? Do you think that is a good idea?

Mr. **Mirengoff**. I think that is essential to the efficient management of the program. The prime sponsors now are constantly in a state of uncertainty. They do not know what their allocation is until late in the game. Even after allocations are made, they frequently are amended. As a consequence of uncertainties of funding, operating plans are successively modified, subgrantees are adversely affected, and the credibility of the program suffers.

Senator **Pell**. One final question. Do you have any suggestions as to how this program could be better stabilized?

Mr. **Mirengoff**. Well, I think there are a number of recommendations that could be made for the reorganization of this system. The name CETA could be changed because the image is unfavorable. The delivery system could be changed to establish an employment and training authority as the recipient of Federal funds and manager of the program. However, my own view is that, although there are many recommendations that could be made, and we ourselves have made some, the program needs, above all, a period to recover from its surgery, a period of stability.

If we keep tinkering with the system and changing it every year, there is no real possibility for efficient management.

Senator **Pell**. Thank you very much indeed.

As I understand it, the record will be kept open so that any Senators desirous of asking questions of any of the witnesses will do that, and perhaps the witnesses will be good enough to respond in writing.

At this point, I would say that the hearing is recessed on the call of the Chair.

[Whereupon, at 11:24 a.m., the subcommittee was recessed, subject to the call of the Chair.]

EMPLOYMENT AND TRAINING PROGRAMS IN THE UNITED STATES, 1981

MONDAY, JUNE 15, 1981

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:15 a.m., in room 4232, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Senator QUAYLE. The committee will come to order.

This is our second day of hearings on employment and training issues. On our first day, we took a look at the management problems that have plagued the CETA system; we heard from GAO and from the Department of Labor.

Today, we are taking a look at the employment and training issues from the viewpoint of the business sector.

As we talk about training and employment, it is very important that we get an interaction and a full discussion of the roles of Government and the role of the private sector.

We have a very comprehensive, distinguished list of business people who will be testifying today, so we will proceed immediately.

The first panel: Rubin Mettler for Business Roundtable, and from the Committee for Economic Development, Franklin Lindsay.

We better find out who everybody is. I guess we do not have name tags.

STATEMENTS OF LLOYD HAND, SENIOR VICE PRESIDENT, TRW, TASK FORCE ON EMPLOYMENT POLICY, WASHINGTON, D.C., ACCOMPANIED BY PAT CHOATE, SENIOR POLICY ANALYST, TRW; JACK POST, EXECUTIVE DIRECTOR, BUSINESS ROUNDTABLE; AND FRANKLIN A. LINDSAY, COMMITTEE FOR ECONOMIC DEVELOPMENT, A PANEL

Mr. HAND. I am Lloyd Hand, appearing on behalf of Rubin Mettler who, Mr. Chairman, was unable to be here this morning.

Senator QUAYLE. Hand?

Mr. HAND. H-a-n-d.

This is Pat Choate.

Senator QUAYLE. Are you with the Business Roundtable?

Mr. HAND. Yes.

This is Pat Choate, who is senior analyst with TRW, and Jack Post, who is executive director of the Business Roundtable, and, on my left, is Franklin A. Lindsay.

Senator QUAYLE. Pat—what is your last name?

Mr. CHOATE. C-h-o-a-t-e.

Senator **Quayle**. OK.

Mr. Hand, go ahead and proceed.

Mr. **Hand**. Good morning, Mr. Chairman, and thank you.

I am Lloyd Hand, senior vice president of TRW, and assistant to the chairman of the board. In 1978 and 1979, I had the pleasure of serving as the president of the National Alliance of Business. Presently, I serve as the chairman of the working group of the Business Roundtable's task force on employment policy.

As I mentioned earlier, I have accompanying me this morning Mr. Choate, who is an economist and senior policy analyst for economics at TRW, and Mr. Jack Post, the executive director of the Business Roundtable.

It is my pleasure to testify before this subcommittee on a topic that surely will be of critical importance to the United States and its economy for the balance of this century.

Dr. Mettler, chairman of the board of TRW, and chairman of the Business Roundtable task force on employment, whom you invited to participate in this hearing this morning, was at the last minute unable to attend and asked that I express his deep regrets, and that I appear on his behalf. I appreciate this opportunity to do so, Mr. Chairman. His statement was submitted to the committee last week.

As you mentioned earlier, you have quite a list of distinguished witnesses this morning and, with your permission, I will summarize Dr. Mettler's testimony in my own remarks.

In November 1980, the Business Roundtable published its "Statement on Employment Policy." This statement makes two basic points: One, that the creation of a strong, competitive economy—with price stability, sustainable real growth, and high and increasing productivity—is fundamental to reducing unemployment generally and to placing structurally unemployed workers into unsubsidized, self-supporting jobs; and the second point is that a well-coordinated effort between the public and private sectors continues to be critical if we are to address the issue of structural unemployment problems.

A copy of the Roundtable statement was included as an attachment to Dr. Mettler's testimony, which is provided you.

The Business Roundtable's task force on unemployment is currently examining its position on many of the specific points which were raised in your announcement of these hearings.

At the conclusion of that review in the early fall, I hope that the members of our task force, who are the chairmen and chief executive officers of some of the Nation's major employers, will have the opportunity to share with you their observations, conclusions, and recommendations that hopefully will be responsive to those general questions you posed at the outset of the hearings.

Since the Business Roundtable is still formulating its policy positions on many of the specific issues that were so identified, the balance of Dr. Mettler's testimony represents his experiences and views derived from many years of experience as a scientist, as the chairman of a corporation that is the 25th largest employer in the country, as chairman of the National Alliance of Business, on whose board he continues to serve, and as chairman of the Business Roundtable's task force on employment policies. His views as represented in his testimony are generally consistent with the framework and the principles set forth in the Roundtable's November 11 statement. They are:

First, that the existing scope of training policy should be expanded to include the entire work force. The objective of such an expansion of scope would be to create improvement in national productivity through efforts designed to improve the quality of the Nation's work force performance. In the past, we have substantially neglected the many potentials which can be realized from improving the quality of the work force. In part, this improved labor quality reflects the disproportionately greater incentives that Government provides business to invest in new capital and improved technology than in worker training and in upgrading.

The unrealized potentials for improved labor quality, largely created by prior inattention, now offers a major route to increased national productivity—particularly in this era of limited capital.

Second, the Nation must continue its efforts to assist the structurally unemployed. This is sound social policy and sound economic policy. In a social context, if opportunities are not made available to the structurally unemployed, a permanent underclass will be created which will be frozen in an economic limbo. In an economic context, bringing the structurally unemployed into the work force can serve to increase productivity and aggregate national production.

Third, the private sector must participate much more closely in the design of training policy. The private sector should have a primary responsibility for the design and provision of upgrading training. Not only is the private sector the largest employer in our economy with some 80 percent of the jobs in the private sector; it operates by far the largest training system—its own.

Individual firms know best their own training needs and most often are best prepared to provide such training. The principal focus of new public policies for upgrading the skills of already employed workers should be to provide incentives to their private employers to undertake such training. Greater business participation is also required in an effort to reduce structural unemployment.

Given the substantial efforts of organizations like the National Alliance for Business, the CED, and others, to create the Private Industry Councils, both Dr. Mettler and I strongly urge in the restructuring of any national employment legislation that serious consideration be given to continuing support of these Private Industry Councils.

Finally, the Nation requires and deserves a unified employment and training system. The fragmented public policies, institutions, and programs which now exist create too many inefficiencies. However, as badly as that system requires restructuring, such reform must proceed with great care or the results may produce more harm than good.

The U.S. economy is at a critical historical juncture. After almost two decades of declining productivity, the margins of competiveness we once possessed are being exhausted in industry after industry. With the imminent expiration of at least 12 basic pieces of legislation, national employment, training policy is also at a watershed. Thus, we are at a convergence point with the need and the opportunity to examine how increased labor quality can assist in the restoration of national economic vitality. Such a route has great unrealized potentials.

As this committee continues its examination of the specific employment and training policies, programs and legislation, I hope that the ideas contained in this testimony will be helpful and I hope, Mr. Chairman, that the Business Roundtable and its task force members will be permitted the opportunity to respond to the questions that you posed and to work closely with you in what we consider to be a critical and historical effort.

I appreciate the opportunity to testify before your committee this morning.

Thank you.

[The prepared statement of Mr. Mettler, with attachment as summarized by Mr. Hand, follows:]

Testimony of

Dr. R. F. Mettler

Chairman of the Board and
Chief Executive Officer of TRW Inc.

and

Chairman of the Business Roundtable's
Task Force on Employment Policy

Before the

Subcommittee on Employment and Productivity
of the
Committee on Labor and Human Resources

United States Senate

Ninety-Seventh Congress

June 15, 1981

Washington, D.C.

First, I believe the primary focus of employment and training policy should be to improve national productivity through improved labor quality. Improving the skills of workers can make as important a contribution to restoring economic vitality as improvements in the nation's capital stock and technology.

Second, I believe the private sector must be much more closely involved in the design and implementation of employment and training policy.

Finally, the nation requires and deserves a unified employment and training system. The existing fragmented public policies, institutions and programs create too many inefficiences. However, as badly as that system requires restructuring, such reform must proceed with great care or the results may produce more harm than good. I will briefly expand on these points.

THE OBJECTIVES OF EMPLOYMENT AND TRAINING POLICY AND THE ROLE OF THE PRIVATE SECTOR

The Factors of Productivity Growth

Improving the productivity of American firms and the competitiveness of American products is a basic requisite for improving the performance of the American economy.

There are three ways in which this productivity can be increased. The first is through increased capital investments. The second is through improved technology. The third is to improve the quality of work force's performance. The contributions of all three are required to restore productivity growth in the American economy.

In the past, the contributions of capital and technology to productivity growth have far exceeded those of improved labor quality (Table 1). In part, this reflects: (a) the relatively high and growing proportion of employment in the service sectors, which are more labor intensive than manufacturing; and (b) the expansion of the U.S. labor force during the past decade by almost 20 million persons -- many of whom had few prior work experiences and possessed educational and/or skill deficiences.

However, the greater contributions of capital and technology to productivity growth is also indicative of the substantially greater incentives government provides business to invest in new capital and technology. In 1980, the value of federal investment tax credits was almost $16 billion. The value of

TABLE 1

FACTORS CONTRIBUTING TO INDUSTRIAL PRODUCTIVITY GROWTH

Factors	Denison*	Kenrick	Christensen/Cummings Jorgenson
Capital	20%	18%	42%
Labor Quality	18	10	14
Technology**	62	72	44

Source: U.S. Department of Labor, Bureau of Labor Statistics, Productivity and the Economy, (Washington, D.C. 1977) p. 63.

*These studies compared by this report are respectively:

Edward F. Denison, Accounting for United States Economic Growth, 1929-1969

John W. Kendrik, Postwar Productivity Trends in the United States, 1948-69

Laurits R. Christensen, Dianne Cummings, and Dale W. Jorgenson, An International Comparison of Growth in Productivity, 1947-1973

**Technology refers to all factors other than labor quality and capital. Differences in the researchers approach to measuring the labor and capital factors contribute to different residuals--technology.

government sponsored research and development was almost $32 billion -- half of which was non-defense related. Much of this defense and non-defense research has at least some commercial applications. These capital and technology incentives are above and beyond those provided through accelerated depreciation of equipment and facilities, and the deduction from the calculation of the tax base of research and development expenses.

By comparison, the principal financial support current national policy extends to private firms to improve the quality of their work force is to permit the deduction of training expenses from the tax base and to finance some entry level training (e.g., targeted job tax credits, WIN, PSIP). Based on data from the American Society of Training and Development, the appropriate value of these tax incentives is less than $15 billion per year. The annual value of entry level training alone is less than $4 billion. The aggregate value of these government incentives for improving the quality of the work force is considerably less than government's capital and technology investment incentives -- by a factor of at least six to seven times.

The point is not that too many incentives exist for expanded capital investment and improved technologies. Indeed, there is substantial evidence that even with these incentives there has been massive capital underinvestment in the private sector. There is also a major decline of the competitive edge in technology in a growing number of fields. Rather, the point is we have substantially neglected the potentials which can be realized from improving the quality of the work force's performance.

An Important New Route to Productivity Growth

The unrealized potentials for improved labor quality, largely created by prior inattention, now offers a major route to increased national productivity. Such an approach is particularly attractive since capital is scarce and the technology of other nations is increasingly competitive.

Improving the quality of the work force as a route to increased national productivity must become a fundamental objective of national employment and training policy. It can complement other efforts now underway to renew the economy through expanded capital investment and improved technology. It also provides an important basis for refocusing the more traditional objectives of employment and training policy -- entry level employment and aid to the structurally unemployed.

The most fundamental shift in employment and training policy to facilitate improved labor quality is to expand the scope of that policy to include the entire work force. At present, vocational, work, and training policies/programs are concentrated on a relatively small portion of the work force -- primarily the structurally unemployed and those engaged in entry level training. In 1979, these public training programs involved less than 10.5 percent of the 103 million persons in the work force. Of course, this 10 percent segment of the work force continues to be important and will continue to need special attention. However, if improved labor quality is to be an effective contributor to productivity growth, the scope of public policy must also include the other 90 percent of the work force. Such attention does not require the extension of government training programs.

Incentives for Industry -- The primary responsibility for the actual design and provision of upgrading training should reside with the private sector. Not only is the private sector the largest employer in our economy, it operates by far the largest training system -- its own. Individual firms know best their own training needs and most often are best prepared to provide such training.

The principal focus of new public policies for upgrading the skills of the already employed workers should be to provide incentives to their private employers to undertake such training. These incentives must be made as attractive to those firms as those now given for capital investment and technology improvements. The principles to guide such efforts should be virtually identical to those which now guide the provision of public incentives to firms for increased investment in new technology and capital expansion. Specifically, these incentives to business should be (a) automatic and thus usable at the firm's initiation; (b) represent new efforts above and beyond present levels; (c) permit flexibility on the part of the firm in determining both its specific needs and the appropriate means to meet these needs; and (d) have limited bureaucratic requirements for obtaining the government incentives (investment tax credits, grants, etc.)

Focusing Entry Level Training

A productivity enhancement focus will also lead to basic change in the policies and practices that guide entry level training. At present, much of the nation's entry level training has little relationship to the needs of employers. For example, the General Accounting Office in a case study of government training programs in Tidewater, Virginia, found that almost half of all employers had never been contacted about their training needs by any public training agency. This example is neither unique or extreme.

Two principles seem appropriate for the creation of future publicly supported entry level training programs. First, such training should be directly focused on the specific employment needs of employers wherever possible. By identifying and filling the needs of employers, both the firm and the individual benefit. Second, the assistance provided for entry level training should permit maximum flexibility for addressing the needs of the employers and the trainees.

The principles embodied in such "output" oriented training are being used to guide training programs in 30 state vocational education/manpower programs. This approach is known by the generic name of "customized training." States, such as South Carolina, Oklahoma, and Georgia have been in the forefront of developing and implementing programs that link entry level training with the specific needs of employers. My own company, TRW, has repeatedly and beneficially participated in such programs.

The success of these programs is in large measure due to the linkages established by the training systems with employers. As a guiding principle, these customized training programs meet the exact specifications of each firm's training needs. This is achieved by having public training personnel assess with employers the firm's exact labor, training, and recruiting needs. The public training system takes responsibility for the initial recruitment of job candidates. All recruiting, testing, selecting, and training activities are performed according to the company's specific requirements. The public training system provides: (a) space for the training or performs such training on the company premises; (b) modern training equipment, if it does not use that of the company itself; and (c) virtually all training costs.

Most of these programs have a strong remedial component. They provide, where appropriate, counseling and basic literacy/skill improvement training for individuals. Often transportation and other financial assistance is provided. The responsibility for the participation in these programs resides with the individuals. Then, the helping hand is provided.

Each person who successfully completes the training course is interviewed by the company personnel director and is usually hired. This customized training approach to entry level training is popular with trainees because their effort has a high and visible probability of leading to employment. It is popular with employers because it directly addresses specific training needs. Moreover, most of these programs are offered without "strings" such as a number of minimum jobs to be created, excessive wage requirements, or definitions of eligible manufacturing or service firms. Rather, the objective of these training approaches is to fill jobs through flexible approaches.

The approaches and the principles that guide these customized training programs should become the model for virtually all publicly sponsored entry level training programs.

Continuing Efforts to Reduce Structural Unemployment

Providing employment and training assistance to the structurally unemployed must remain a basic objective of employment and training policy. Even as economic vitality is restored to the economy, the nation will have at least six million workers who will be unemployed for what are generally labeled as structural reasons: (a) race, culture, or educational/skill deficiences; and/or (b) shifts in technology, changing conditions of competition and trade, and movements of industries among regions.

It is sound social and economic policy to provide employment and training assistance to these structurally unemployed. Creating skills and saving skills can contribute to the nation's overall production and productivity growth. However, this training and assistance will often be more expensive and difficult than the upgrading of already employed workers or customized training. If this were not so, many of these workers would already be employed.

The objective of employment and training policies for the structurally unemployed should be the preparation of workers for employment in non-subsidized jobs. Since the structurally unemployed are a highly hetergeneous segment of the population, great flexibility in the design and implementation of policies and programs will be required. For example, a displaced automobile worker with basic skills and job-related experiences may be able to easily adapt to the same, or even unrelated, work in other parts of the nation. Transition assistance for such a worker may consist of accurate labor market information or new entry level skills. Yet the assistance required to prepare an economically disadvantaged individual with few skills (functional or literacy) may be quite different and more intense. Distinctions about the composition of the structurally unemployed must be made in the formulation and implementation of employment and training policy.

The primary responsibility for dealing with the provision of assistance to the structurally unemployed must continue to reside with the public sector with private sector participation. The scope and magnitude of the structural issues are simply beyond the capacity of private firms to handle alone.

Based on my experiences as the former President of the National Alliance of Business, I believe the creation of the Private Industry Councils (Title VII of the Comprehensive Employment and Training Act, 1978 amendments) is an important step for improved public/private employment and training relationships. This approach embodies principles which I believe have proved to be sound -- decision making at the local level by representatives of the critical institutions of business, government, labor, education, and community based organizations. These organizations are working together under business leadership to identify, devise, and implement employment and training programs that can meet their communities' private sector employment needs.

While many of these PIC's have been in existance for only about a year and little evaluation data exists on their performance, I continue to believe they offer major promise. Given the substantial effort on the part of National Alliance of Business and others in the private sector in creating these organizations, I urge their continuation in any new legislation. To withdraw public support at this early point in these organizations' histories, and in the absence of a tract record and evaluations, would be the height of public administration folly. It would discourage future business participation in this and a wide variety of other programs -- to the detriment of all.

FRAGMENTATION IN PUBLIC EMPLOYMENT AND TRAINING

The public employment and training policies, institutions, and programs are both fragmented among and between the levels of government. At present, the federal government is providing support to at least four separate employment and training systems: (1) the CETA prime sponsor system; (2) the CETA balance-of-state system; (3) the State Employment and Security system; and (4) the State Vocational Education system. The linkages between these systems is tenuous -- at times non-existent.

An example of such fragmentation is found in the previously cited GAO analysis of the federally-sponsored training programs in Tidewater, Virginia. The GAO found that although federal manpower programs were simplified in 1973 through the consolidation of several federally-sponsored programs into a block grant approach (CETA), in 1977 even with these reforms, Tidewater, Virginia, had 44 distinct federally-assisted employment and training programs dispensing a total of $22.4 million annually. These programs involved five federal departments, three independent federal agencies, one federal regional council, 26 national organizations and state agencies, and more than 50 local administering agencies. GAO concluded: "No federal, state or local organization was responsible for coordinating all of these manpower programs."

The situation in Tidewater exists in hundreds of other communities. The resulting wastes and inefficiences are simply unacceptable. A truly unified set of public employment and training policies, institutions, and programs is required. Such a system must be integrated with the training systems of private employers.

The challenges involved in making these changes are great. Employment and training policy is a politically and socially sensitive arena of public administration. Thus, pragmatism must guide any reforms. Otherwise, it is actually possible to worsen an already bad situation.

I believe the basic principles for reforming the present "system" should be to: (a) decentralize functions as far as possible; (b) consolidate as many programs and functions as are administratively and politically possible; (c) insure that those functions that cannot be decentralized or consolidated are managed as thoughtfully and as well as possible; and (d) whenever possible to rely on the private sector to guide, even conduct, training.

CONCLUSION

The United States economy is at a critical historical juncture. After almost two decades of declining productivity, the margins of competitiveness we once possessed are being exhausted in industry after industry.

With the imminent expiration of at least 12 basic pieces of legislation, national employment and training policy is also at a watershed.

Thus, we are at a convergence point with the need and the opportunity to examine how increased labor quality can assist in the restoration of national economic vitality. Such a route has great unrealized potentials.

As this Committee continues its examination of the specific employment and training policies, programs and legislation, I hope the ideas contained in this testimony will be helpful.

Thank you for the opportunity to testify this morning.

Business Roundtable

November 11, 1980

STATEMENT ON EMPLOYMENT POLICY

Task Force

on

National Planning and Employment Policy

BUSINESS ROUNDTABLE

STATEMENT ON EMPLOYMENT POLICY

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Necessity for Economic Growth

A strong, competitive economy with price stability, sustainable real growth and high and increasing productivity is fundamental to reducing unemployment generally and to placing structurally unemployed workers into unsubsidized self-supporting jobs. Sound employment policy can contribute importantly to the development of such an economic climate.

Key to a dynamic, vigorous economy is the restoration of an adequate rate of investment. While general economic policy is beyond the scope of this statement, it is noted that changes in tax policy and success in reducing inflation are both necessary to stimulate higher rates of saving by the American people and higher rates of investment by American business. "Capital formation" is fundamental to "job formation."

The rate of unemployment in the United States in the post-Vietnam era has been too high by any standard. The current high unemployment, cyclical variations aside, is not caused by a reduction in the total number of jobs available in our economy. Quite to the contrary, total employment has been increasing at an historically unprecedented pace, but not rapidly enough to absorb the increase in the labor force. Total employment rose from 78.6 million in 1970 to 97 million by July 1980, an increase of over 23 per cent. However, the labor force grew by a startling 27 per cent during that same period, compared to about 19 per cent in the 1960s and 12 per cent in the 1950s. It is unlikely that the labor force will continue to expand quite as rapidly in the 1980s due to the declining number of teenagers. However, continued increase in participation of adult women (aged 20 and over) who contributed more than half the labor force growth in the '70s may be expected to keep labor force growth high. It is expected that minority teenagers will continue to increase about 10 per cent a year.

Thus, the continuing growth in the labor force will require economic expansion creating jobs rapidly, just to keep pace. Reducing unemployment will require even more rapid job growth. Moreover, the changing composition of the labor force due to the "graying of America," the continuing cultural changes bringing an even larger proportion of women into the labor market and further growth of minority youth, portend a growing imbalance between the supply of workers and the skills demanded -- more structural unemployment.

Composition of Unemployment

Unemployment has been characterized as of three types: frictional, cyclical, and structural. It is necessary to recognize the difference in formulating employment policy.

Frictional unemployment is that period of unemployment of job-ready workers during their normally short search for work. It consists of workers who left a previous job to find one they like better, persons on short-term layoff, or those who will not have too much difficulty finding work with a new firm, and new and re-entrants into the labor force seeking their first job or a new job following a period of inactivity. It has been estimated that frictional unemployment amounts to 2 or 3 per cent of the labor force, historically.

Cyclical unemployment is that joblessness experienced by regular workers on layoff because of a widespread decline in the level of the nation's economic activity. It is predominantly short term, with affected individuals returning to their former employer or to comparable work with a different employer. The ranks of the unemployed during a recession include frictionally and structurally unemployed persons, of course, as well as the cyclically unemployed.

Structural unemployment exists among those with long-term market attachment who have been forced out of work by shifts of an industry from one area to another, by basic technological change in which employment needs are permanently reduced or by changes in the skill mix within an industry. Individuals in this group may have exhausted unemployment benefits or may expect to be unemployed in excess of six months. Unemployed heads-of-households on welfare who have the capacity of becoming competitive in the labor market deserve special consideration in this group.

Structural unemployment also includes many new entrants into the labor market and adults in the secondary labor market who have never held a steady, rewarding job. It particularly includes those persons whose lack of skill and/or motivation leaves them unprepared for the world of work. Geographic disparity also contributes to structural unemployment, particularly in inner-city areas where meaningful jobs with career opportunities are in short supply.

Employment Policy Position

Reducing unemployment by creating productive jobs and dealing sensitively with those out of work until they secure employment must be primary objectives of national policy. Assuring the creation of productive jobs is primarily the function of sound economic policy. Providing assistance to the unemployed to help them prepare for and find work is the principal function of employment policy. Such assistance should be made available primarily through a decentralized system capable of responding to local labor market conditions which vary geographically and over time. Consistent with this general position, Roundtable initiatives in recent years have assisted in the following effort:

- reversing the trend of Federal manpower policy towards excessive reliance on subsidized public sector jobs to reduce structural unemployment, particularly in local communities;
- revitalizing and strengthening of the National Alliance of Business and its programs;

- developing the concept and legislation for the Private Sector Initiative Program (Title VII of CETA);
- establishing, during 1979, over 400 Private Industry Councils nationwide, jointly by NAB and the Labor Department, as a part of the Private Sector Initiative Program;
- supporting experimental youth employment programs (Youth Employment and Demonstration Projects authorized in Title IV of CETA) and the revised proposals for youth programs based on the experience of the earlier experimental programs:
- supporting the Targeted Jobs Tax Credit
- supporting the concept of special cooperative efforts between public and private sectors in reducing structural unemployment.

Despite these important efforts, the reduction of structural unemployment to "acceptable levels" remains a continuing complex political and social challenge that requires a long-term national commitment. Accordingly, the Roundtable reaffirms its commitment to promote and support those concerted efforts by the business community to reduce structural unemployment and continue to be guided in its efforts by the following principles:

- That publicly supported employment assistance should be targeted principally on structural unemployment, with priority attention to workers who are economically disadvantaged, especially youth.
- That as an essential element of new macro-economic and/or sectoral policies, workers who become structurally unemployed by virtue of production changes wrought by new technology, shifts in consumption patterns, impact of international events, and market competition should be provided reasonable assistance -- public and private -- to adjust to the new economic circumstances.
- That countercyclical measures to offset a portion of temporary earnings loss through extended unemployment compensation; temporary public service jobs at less than prevailing wages; and preplanned short term public works should be authorized only on a long-term standby "automatic stabilizer" basis so they come into play in a timely manner rather than after recovery has begun.

- That where production in industries essential to the nation's economic performance is impeded by shortages of trained manpower, publicly supported training should be provided to meet the shortages and to supplement private training programs, preferably, but not necessarily, limited to structurally unemployed workers.
- The administrative "delivery system" through which public employment policy is carried out should be an integrated, efficient structure in which the labor market parties-at-interest participate maximally in decision making.

Senator QUAYLE. Thank you, Mr. Hand.

Mr. Lindsay.

Mr. LINDSAY. Mr. Chairman, my name is Franklin A. Lindsay. I am chairman of the executive committee of Itek Corp., and have also served as chairman of the Corporation for Public/Private Ventures. Today, I represent the Committee for Economic Development, whose research and policy committee I chair. CED is a private, nonprofit, research and educational organization which enjoys the active participation and support of 200 trustees, most of whom are top corporate or university officers. We work to devise solutions to what we believe are the most serious problems facing the Nation and the economy.

Over the past several years, CED has become increasingly concerned over the gradual liquidation of the capital stock of the country, the decline in productivity, continued high levels of unemployment, sustained inflation, and the increasing inability of a significant number of American businesses to compete internationally.

It is within this context that CED has recently approached several policy areas. CED has recommended new ways to stimulate technological progress; encourage capital formation; reform Government regulation; and, most recently—provide for a sound retirement system. We are now undertaking similar studies on energy pricing policy, productivity, industrial strategy, and urban revitalization.

A common theme that runs throughout our investigations is the need to renew continually our national resources, not only in capital plant and equipment, research and development, and energy resources but, most importantly, in human resources.

We believe this must take a balanced approach, for without the necessary human resources, any gain we might accomplish in the area of developing new technology or building industrial capacity, would be negated. In other words, a skilled, willing and ready labor force is a prerequisite to the success of our other policy recommendations, and this concern is a major focus in our current work on productivity and in developing an industrial strategy.

CED has taken a long and active interest in all aspects of employment, training, and labor market policy. The very first paper CED commissioned in 1946, entitled "Jobs and Markets," was an effort to assist in the transition from a war to a peacetime economy. In 1970, CED released a statement entitled "Training and Jobs for the Urban Poor," and in 1978, we called for a major change in the direction of Federal employment and training policy in our statement, "Jobs for the Hard-to-Employ: New Directions for a Public/Private Partnership," which helped lay the groundwork for the emerging system of private industry councils.

I am pleased, therefore, to have the opportunity to testify before this committee today on the issue of future employment and training policy in this country.

While we have not formally commented on the subject since 1978, when we released "Jobs for the Hard-to-Employ," I believe many of my thoughts have either been expressed in this or other policy statements, or are shared by my colleagues. I might add that I am particularly pleased to be sitting here with my good friends.

Mr. Chairman, in general, I believe there will continue to be an important Federal role in employment and training policy. There will always remain in society individuals such as dropout unemployed youths who have not been reached by either industry or our traditional system of education and who represent a tremendous loss in productive human capital. The mission for Federal policy, I believe, is not only to "serve" such individuals but to direct their education and training toward growth industries and growth occupations--not declining ones.

We are all familiar with the historical trends in the conventional breakdown of occuptions:

From 1900 to today, agriculture has declined from 35 percent in 1900, grew to 65 percent in 1945, and is now below four percent and still declining;

Service jobs, which were 30 percent in 1900, declined to 20 percent in 1935 and then steadily increased to over 50 percent today.

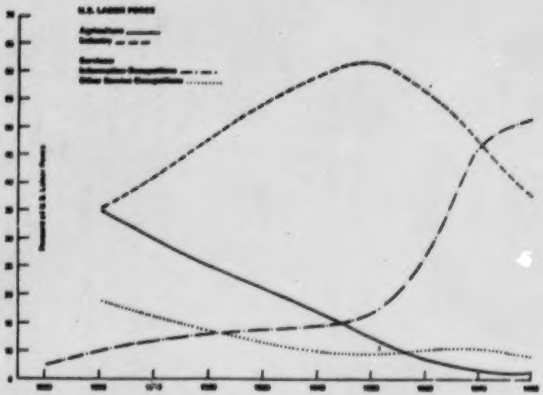
However, if we separate this latter category, service employment--the conventional service components and those in the information industry- significant pattern develops. Conventional service jobs have declined continuously since 1900 to today when they represent less than 10 percent of total employment. On the other hand, information related employment such as computer programmers, telephone service personnel and the like has steadily increased from less than 15 percent in 1940 to an astounding 45 percent of total employment.

Today, it is at least equal to manufacturing employment and is still growing. Depending on whether one takes a broader or narrower definition of information occupations, information employment will be more than 50 percent of all U.S. employment in but a few years. I have included at his point a graph which dramatically shows these trends which I commend to your attention.

[The graph referred to follows:]

Percent of U.S. Labor Force in Information Occupations.

Growth in information-processing service occupations is the major factor in the increase of all service occupations relative to industrial and agricultural occupations. This finding by Edwin B. Parker and Marc' Porat is based on their analysis of U. S. Bureau of Labor Statistics data (*Social Implications of Computer/Telecommunications Systems*, Report No. 16, Program in Information Technology and Telecommunications, Center for Interdisciplinary Research, Stanford University, February 1975).



Mr. LINDSAY. The point of citing these statistics is to call attention to the need to develop Federal policy that is flexible enough to adapt to the dynamics of the labor market and although I do not profess to be an expert on CETA, that current policy simply has not been able to do so except in a few instances.

In your current deliberations regarding the future design of employment and training policy, I believe it is critical to simplify and reduce the overlap in existing institutions as much as possible; to include those which have been successful and eliminate those that do not measure up—and spell out clear lines of authority and purpose for each part of your policy.

But in your consideration of the role for private involvement, I have some definite concerns. American business represents the greatest training resource we have available. The fact is, while CETA may have spent more than $40 billion on employment and training, industry spends at least this much each and every year. American Telephone & Telegraph spends $700 million on in-house training alone. This is an impressive investment. But I caution if Federal policy is to take advantage of this vast resource there needs to be a better understanding of the nature of this training and the needs it fulfills, and how best it encourages business to open this resource to a client group that might otherwise not be included in a firm's hiring or training decisions.

Traditionally, there have been two ways of going about involving business. The first has been to involve business through specific contracts and subsidies, such as on-the-job training. The other is indirect, through tax incentives, such as the targeted jobs tax credit.

Both of these two approaches have been part of a heritage of business involvement in developing programs for the hard to employ. The National Alliance of Business has been one of the more effective actors involved, as have some of the new PIC's. Yet, such involvement has, for the most part, been ad hoc. While some of these are successful efforts, overall quality has been uneven.

I believe the prime reason for this unevenness has been the lack of a set of guiding principles on what it takes to get business interested.

Mr. Chairman, I believe that the Congress now has a unique opportunity to infuse such guidelines into the employment and training policy you may wish to adapt. We all recognize that CETA is in trouble and under fire. And I think we know that some changes will be made.

I believe there is a need for such an institution. Here are what I consider to be fundamental conditions that must be fulfilled to make such an effort work.

First, there must be an absolutely clear understanding by all parties concerned—government, business, labor, community groups, et cetera—that any effort to address the problem of structural unemployment will in fact be led by the local business community, that they will be given real responsibility for carrying out meaningful tasks, that they will not be hogtied by excessively detailed government reviews and approvals, and that they will have adequate personnel and financial resources. Unless business people are given a real job to do, they will simply not be interested in devoting time and effort.

There are numerous ways to help translate these prescriptions into action. In particular:

Business needs to operate independent of detailed subject approval by the Department of Labor;

Business must work through an organization that has an independent staff and clear control over the funds paid to such staff, or at least to the staff director. Ideally, in my view, this should men that the budget for staff salaries should be fully financed either by the business firms themselves or from other private sources, such as foundations;

A very intensive and continuous process of education will be necessary to make this concept fully understood and accepted. This requires support from Congress, the administration, the Department of Labor, and other officials;

A major and sustained personal involvement of the top business leadership—both nationally and locally—is critical to successful business involvement. CED studies clearly show that the successful cases of public-private cooperation in this area tend to be in those cities where the top business executives are strongly interested in and committed to these initiatives;

Specialized intermediate organizations can aid business firms in dealing with various specific problems associated with hiring the hard to employ, such as job placements, handling redtape connected with federally supported on-the-job training contracts, carrying out other types of preemployment training and job readiness activities, providing counseling and other backup services for the hard to employ, et cetera.

There should be a major emphasis on involving small business firms, in addition to large ones. It is in small businesses—many of which are in the growing parts of the service sector—where training and job opportunities for the hard to employ are often particularly promising.

Sufficient flexibility in the Government program is necessary to allow a wide variety of organizational arrangements from city to city, adapted to the special needs of each locality. One conclusion that emerged from our study on the jobs for the hard to employ, and our current work on public-private partnerships in revitalizing our Nation's cities is that there is no single solution which is appropriate for every city or area in the country.

Any policy must allow for the fundamental fact that the bottom line for business is net return, especially over the long run. Jobs programs should be designed, as much as possible, to benefit business as well as the hard to employ.

There is a need for continuing effort to spread the story of successful cases of private-sector involvement in programs to further training and jobs for the hard to employ. Business executives need to know about the many programs in this area that already do work successfully.

I believe that there are some very necessary institutional requirements and I would urge the committee to judge the current PIC operation by these standards as well.

It is now time to develop a realistic charter for private intermediary groups that clearly spells out the degree of delegated responsibility to be given to these groups in developing proqrams and to making major operating decisions. The manner in which they will account for public funds they expend should also be spelled out.

This charter should not be limited to broad principles. It must include specific operating relationships. For example, present Labor Department regulations and procedures should be examined to see whether or not they can be simplified or speeded up. Relations between Washington, its regional offices, and the prime sponsors should similarly be examined for clarity and effectiveness:

Such an established institution must be made operational rather than merely advisory. This means that business should be allowed to organize nonprofit organizations that can make direct contracts for OJT, et cetera. While some of this has occurred under the private sector initiative program, it should be further encouraged.

Such an institution cannot be mandated, but must grow out of local initiatives.

Business must work through private intermediary organizations that have independent staffs and clear control over the funds paid to such staff, or at least to the staff director. Ideally, in my view, this would mean that the budget for staff salaries should be fully financed either by the business firms themselves or from other private sources, such as foundations.

With respect to PSIP, I urge the committee to judge whether their local arrangements, which I believe have tremendous potential, are operating along the lines I have outlined above—and to do whatever is necessary to enable PIC's to work as an independent entity, both operatively and programmatically—with primary business involvements.

Whatever direction the committee chooses to take, I urge you not to expect too much in the short term from business on the hard to employ. There is a great risk of seeing business as the salvation of the current move to reduce spending on social programs and as a means to take up all the slack without fully appreciating how difficult and complicated a task it is. While I believe that business can and will take on a much greater role, unrealistic expectations would undermine the success of future public-private partnerships.

In conclusion, the best prescription for reducing unemployment and sustaining economic growth is: (1) Continuing growth in capital for investment in new plant and equipment; (2) rapidly increasing technology, and (3) continuing renewal of skills and education of the current and; and, in my view, this must take a balanced approach. To date, too little attention has been paid to the human element. In this respect, the committee has a real opportunity to provide that leadership.

Thank you, Mr. Chairman.

Senator QUAYLE. Thank you, gentlemen, for your very frank and forthright testimony.

I do not think anybody disagrees with the goals and what we are trying to do. You both alluded to it and said it in your statements; that is, training and employment opportunity. Everyone knows the problems that we have had with CETA.

Could you give me your thoughts on what is the proper balance or the proper role of Federal Government involvement in employment amd training?

There are some of us who think the more the Government is involved in various programs, the worse it gets.

We would like to see the true free enterprise system. I do not think any of the statements I've heard went that far.

Could we dissect this problem and put in perspective the role of the Federal government; how much should it be involved; should its involvement include just the use of incentives; should we continue CETA-type programs for training and employment?

You mentioned the PIC, but it is still government involvement, in an area that, before, had been left to the private sector. What is the role of the Federal Government?

I think this is an overriding question we have to ask ourselves as we have oversight hearings on CETA and try to come to some resolution next year on the future of the CETA program.

Mr. Hand. Let me risk a comment, and I know you will want a comment from each of us.

Obviously, no one of us is going to be able to qualify or calibrate in dollar amounts what that government involvement should be. But it seems to me, based on the last several years' experience, testimony of others, the history of the Government's attempt to address employment and training issues, that as a general rule, the efforts of the Government ought to be focused on those elements of society that need the greatest government involvement. As we try to say in our statement, I think that begins with the structurally unemployed. Although a sound economy will lift most boats, those boats that are on the beach whether the economy is up or down, do not benefit those are structurally unemployed, who have no labor force attachment or are adversely affected through no fault of their own. Thus, I think that the government employment programs ought to be targeted. This is the most efficient way to proceed.

Second, if as we propose, the entire labor force be addressed in the scope of national employment and training policies—including the private sector employment, and not think of the system as just that which is administered by the Department of Labor—then I think that we have a better chance of improving the overall productivity of the labor force. I think that ought to be its ultimate target of employment policy.

But if we do that—if we create more incentives to the private sector to improve the quality of labor—this will involve less government regulation and less government redtape.

I am not sure that is as responsive as you would like. However, I think employment policy should be relatively limited and targeted to those areas of greatest need—where the private sector does not have the capacity to deal with the unemployed.

Senator Quayle. So you are saying that there is a role for the government?

Mr. Hand. Absolutely.

Senator Quayle. As far as training and employment, that role ought to be limited, and you would limit it to basically the structurally unemployed?

Mr. Hand. Yes.

Senator **Quayle**. I guess we have maybe floating programs or flexible policy.

Mr. **Hand**. Mr. Lindsay articulated decentralization; there is going to be decisionmaking as to programs that ought to be left to the local leaders, the representatives of the local areas. They are the ones who know what their needs are, and I just do not think it is possible or effective for those programs to be devised at the national level. I think it ought to be done at the local level, involving those organizations that know and are affected by those decisions. It should be business led. That is where the jobs are, and that is where we want them to be. Business has to have a key role in determining what those jobs should be.

Senator **Quayle**. The second point you talked about was incentives to improve productivity.

Mr. **Hand**. Improving the quality of the work force to improve productivity.

Senator **Quayle**. The quality of the labor force.

What kind of incentives—what are we talking about?

Mr. **Hand**. Well, at this point, it is more conceptual than it is specific, Mr. Chairman. But I would think in terms of comparable incentives that the Government now grants to businesses and industry to incentivize it in terms of creating greater capital, technology. Examples could include a grants incentive for research and development and incentives for new production capital.

What we are saying is the third one; that is, improving the quality of the labor force now requires comparable attention. The Japanese are one of the primary cases in point of how employee training can help production and everybody is talking about and looking to and trying to learn from the Japanese. Actually many of their programs contain principles which they acquired from the United States. But nonetheless, the Japanese recognized the value of improving the quality of their labor force and its contribution to improved productivity. I think we need to refocus attention on that need in this country.

As was pointed out in a study that was done by three different groups of economists, that the Bureau of Labor Statistics, standardized of the factors that contributed to productivity—capital, technology, and the quality of the work force—improved quality of the work force made the smallest contributions. We should address that lag by creating incentives to improve and upgrade worker skills. We should encourage business to make these investments, just as we do to encourage research and development, innovation, and investment in capital. This is the whole thrust of supply-side economics.

Senator **Quayle**. OK, improving the quality of the work force and the role of the Government. The role of the Government would be basically through the tax code, regulatory aspects; it would not—at least in my interpretation of your remarks—envision any Government program as such; is that correct?

Mr. **Hand**. That is right.

I do not know that I would be prepared to say, no Government program. I think the Government can play a useful and constructive role in demonstration projects but I think the private sector is best equipped to develop and design training programs.

One of the criticisms that I am sure you have heard, in training programs fostered by the Government, is that they are developed without reference to the end result; that is, the job.

As we pointed out in our testimony in Tidewater, Va., the GAO found that 50 percent of the employers were never consulted as they developed their employment training programs. So obviously it is difficult to expect the highest return on the taxpayers' dollars invested in developing training programs for the individual who has no job when he is trained, for he does not have any job requirement.

So I think the private sector is best equipped to design those programs.

Senator QUAYLE. The concept of the inner-city program has been advanced.

I wonder if this could be related to our training programs; that idea is that certain zones within a city would have special tax treatment, maybe even special regulatory treatment, but particularly in the tax area, both Federal and State.

Would this be a concept that we should explore as we look into this program?

Mr. LINDSAY. I wonder if I could go back and comment on another question first?

Senator QUAYLE. Please do.

Mr. LINDSAY. I agree with Mr. Hand that the Federal Government's interest should be the structurally unemployed, the really hard to employ, that 5 or 10 percent of the working force.

In response to your question, I believe that the Government and business should participate as partners, both financially and in design of the program. Many of our current problems are societal-family, education, poverty which society as a whole, not just business or Government, must address. But business and Government can do a lot more for addressing the employment and training needs of the hard-to-employ. We must recognize that it will be expensive. The harder individuals are to employ the longer the time it will take to change their course.

If you move someone from welfare or the unemployment roles into the active private labor force—and I emphasize "private," because that is where continuing jobs are—the return in the long run can save Federal and local government a great deal in a variety of Government support payments. This represents a real cost-sharing. Private firms and society at large stand to gain a greater return on investment if tax dollars are diverted from welfare and unemployment into more productive human capital. In this respect, Government has an important role to play.

A critical element of Government policy is a steady, consistent program. It should be cooperatively financed by Government and business, but should be flexible enough to adjust to changes in the business cycle to assure that even in times of recession, human capital is being developed for the next upswing.

I have been involved in one program that was first identified by CED 3 or 4 years ago and has since been expanded by the Corporation for Public and Private Ventures. It really is a tremendously exciting program in which journeymen, carpenters, plumbers, masons, painters, electricians, each having taken on no more than eight or nine kids, underprivileged, unskilled high school dropouts and have in effect, changed their lives.

Fifty percent of the people who come out of this program either obtain permanent jobs in the private sector, join the Armed Forces, or return to school.

The basic thing that happens is that their motivation has been changed. They really learned to have work discipline.

Senator QUAYLE. What is the name of the program?

Mr. LINDSAY. It is the Corporation for Public, Private Ventures, that is involved in it, and if you would like, I could send you a really exciting transcript of interviews with some of these kids where they say, "this is the first time that I have learned in my life how to do a good job, the importance of making a square cut with a saw, learning how to measure, and being at work on time."

Those who have gone into private employment, this program has averaged $4.50 an hour as their initial pay. They are on the bottom rung of permanent private employment.

From one point of view it is quite an expensive program. The other way of looking at it is the money saved in future Government expenditures to take care of somebody who has not made it. That saving is going to be many times the cost.

Senator QUAYLE. Is this the type of financial support that you are talking about with business?

Mr. LINDSAY. Yes; and other types of programs similar to this.

[NOTE: In the interest of economy, a booklet entitled "Getting the Job Done," which was published by The Corporation for Public/Private Ventures of Philadelphia, Pa., and subsequently supplied to the Committee was retained in the committee files.]

Senator QUAYLE. OK.

Let me get to that second question on the concept of the enterprise zone.

Have either of you or your groups in your studies given any thought to using the concept of the enterprise zone as a vehicle to help the employment training system in this country?

Mr. LINDSAY. We in CED have not studied it specifically. I certainly would agree with you that it is certainly worth looking at.

I just do not feel that we have studied the concept enough to presume to give detailed advice. Certainly you should look at it.

Senator QUAYLE. You do not discard it as a concept that may be utilized in this area?

Mr. LINDSAY. No.

Senator QUAYLE. Do you agree with that, Mr. Hand?

Mr. HAND. Pretty much. The Roundtable has not studied the free enterprise zone concept.

Senator QUAYLE. We have looked at the current status.

Mr. HAND. I think as Mr. Lindsay does, because it has a strong job component. I think that—because of the watershed juncture—this committee ought to be looking at all of these proposals and how they bear on and relate to dealing with the question of unemployment in a free enterprise zone. At this point, I do not think anybody really understands what a free enterprise zone is. I do not think that has been clearly defined. But I think one caveat—and I am speaking purely for myself now, Mr. Chairman—is that as we attempt to invest billions of dollars in revitalizing decaying, deteriorating inner cities, I think we need to be realistic about what we are doing to determine whether or not there might be other more effective alternatives. I really do not know enough to say what is or is not viable. But we may have made mistakes in the past by creating disincentives to the free functioning of a labor market area—the easy movement of people to personal opportunities.

Certainly I support labor insurance and other types of means to cushion unemployment, but if we create too many disincentives, people will not respond to needs to that labor market and move to where the jobs are.

I am not sure that trying to bring the jobs to the people in every instance is the correct approach to that; and I guess that would be my caveat for the zone concept.

Mr. LINDSAY. I might add a bit to that.

I think I would agree with that.

The danger is, in trying to solve a problem that is reasonably narrow. We learn time after time that it produces unintended side effects in the rest of the economy. I think as you study it, you ought to be sure you ask: What effect is this going to have on the rest of the economy? Is it going to produce other distortions that simply transfer the problem from one place to another? I do not know the answer.

Mr. HAND. I think a key issue is mobility. Time and time again, we see that the high unemployment in the inner-city areas—sometimes 40, 50 percent in some of the denser areas. The problem is that many of those young people have no exposure to the world of work at all. They also have no access to where the jobs are. They will not get out; they cannot get out.

The second thing is, you have many people who are constrained a year, a year and a half longer in areas that really have no realistic interest of being revitalized. But these people are not moving into the Houstons and other areas having 2 percent unemployment or 3 percent unemployment. In Houston, they have been hiring you if you can walk and have two arms and two legs; whereas, there are people in New York City and the ghetto areas that are hungry for jobs. Employment policies must address that.

How can they assist in some way in providing these people for the labor force?

Senator QUAYLE. Let me just try to tag on to that—the mobility of the structurally unemployed.

You talk about the mobility of the person in Tennessee or in the mountains that will not go down to the urban areas; you shift to Detroit or Minneapolis and you find the autoworker problems; you go to New York and find the ghetto problems.

We talk about a program that is going to focus on the structurally unemployed. At the same time, we are talking about decentralizing Government. In addition, we are talking about the block grant concept.

Can we do that? Can we have a program such as you are describing in view of some of the problems with decentralization, with the block grant concept? This is a question that we have to resolve, because I think philosophically I agree; I would like to see it decentralized, but when you announce all these particular problems that we have, I wonder if we can really do this on a decentralized basis?

Mr. **Hand**. I think we are talking about two different problems. I think the—first of all, in determining the needs of the local labor market, I am firmly convinced that the concept embodied in the private industry council program is sound. It may need to be modified, and it certainly should. It is experimental. But I think that is sound because I believe that business and labor and community based organizations, the educators and that local labor market, know what their needs are. They can project them if they go at it methodically. So I am strongly convinced that PIC's are a sound principle.

The CED did a landmark study over 2 years ago and came to the same conclusion. That study was instrumental in developing the PIC thesis.

Now, there are unquestionably areas where PIC's are not appropriate because the issues are national in scope. I think this question of mobility is one of them.

I do not know, frnkly, whether or not mobility issues can be addressed at a local area. I think that this may be an area where the public sector has a role to play; where it is best equipped just as in dealing generally with the problem of the structurally unemployed to the educational system. I think maybe this is an area where you have got to have some Federal funds, some Federal demonstration projects.

I recognize philosophically there is a dilemma but I am not suggesting that there is no role for the Federal Government. I think there is. You are touching on one of them. But I think that ought to be a limited role; it ought to be targeted and the employment programs ought to be designed locally to meet local needs and be permitted to have the flexibility to use Federal funds at the local level.

Senator **Quayle**. We now get back to the basic question that we talked about: What is the proper role of the Federal Government and how should it be applied? That is why we are here today.

Mr. Lindsay?

Mr. **Lindsay**. I think I am concerned about one aspect of the block grants, as I am equally of the administration of the Federal Government. For some reason—and maybe this is built into any large government system—there is an irresistible drive toward detailed regulations and that would be equally true. In some ways, it seems to me, the Congress can, through careful oversight, see to it that imaginative programs that involve the private leadership are given an opportunity to work and are not strangled by redtape. I have lived through a few of these and I know it is true. I do not think it has ever been the intention of the Congress to bury their objectives in paper. Departmental regulations and departmental supervision nearly always to this.

In one instance I know of, a midlevel Department of Labor official informed a private organization—which had a first-class board of directors—that as far as he was concerned, the private group was little more than an extension of his office. In other words, the opinions of the private sector representatives were neither needed, or wanted.

Mr. **Hand**. Mr. Chairman, Mr. Choate reminds me of a point that is responsive to your point. Many of the labor exchange services were initially designed to be performed through national policy. With the advent of the job service this role should probably be reexamined in the light of needs to integrate or unify the job service system.

Information exchange on labor needs and availability is one of the functions that could be improved and could be better served from the national point of view as a part of Federal policy.

For example, there was an enterprising young person who was hawking the classified ads from Houston newspapers in Detroit to point out where the jobs are. He has been very helpful and is making a lot of money just selling those classified ads, identifying where the job needs are and where the jobs are.

I am not prepared to say specifically what this Federal role ought to be in addition to improving the information about the labor market nationally. But that is beyond the scope of what could be done locally.

It would be federally funded. But an additional thought that occurs to me is there has not been sufficient time to get the kind of data that is needed to fairly evaluate targeted job tax credits. Yet this is a simple way for the employer to get a tax credit for employing the structually unemployed.

Is it proper that the Government could defray some cost or portion of the cost of relocation on the same kind of a voucher system? I am not sure—I do not know what the numbers are, but if it works locally, it is possible that that could work nationally. I would rather see dollars invested that would insure that a job seeker gets that job than trying to rebuild the area where he is in in an effort to provide jobs for him. Thats is an important factor to determine where investment ought to be invested to create jobs.

Senator **Quayle**. One final question.

I presume that from your testimony that both of you feel that the targeted job tax credit has been successful and should be continued? Is that true?

Mr. **Hand**. Yes.

Mr. **Lindsay**. Yes.

Mr. **Hand**. Let me qualify that by saying, yes, I think there are some modifications that are appropriate but I think it ought to be extended, because there is only about 7 months left on it.

Senator **Quayle**. I thank all of you for your testimony.

We are going to have two more hearings this week and then we go out into the field with hearings in the summer or fall. Later on, I presume the latter part of this year, we will be making some policy decisions. I certainly look forward to working with you as we go down this road.

I think you can see the very tough deliberations that we are going to have in trying to make these decisions.

Maybe as one parting shot, if you were sitting on this side of the table and had the responsibility of rewriting CETA, what advice would you give me?

Mr. **Hand**. To do just what you are doing: find out what worked, what has not.

One point neither one of us dwelled on but it is so key, not just in this area, but that is, stop and start. I would not try to throw out everything just because it was created in a prior administration. These programs have been developed and have been developed over many administrations. There is something very valuable that has come out of it; that is a public and private sector partnership that is beginning to work. Such effort takes time.

You know, when you stop and think about it, a businessman whose job is managing his business is just not familiar, many times, with the bureaucratic requirement to be a chairman or an active member of a private industry council. He is dealing with other institutional representatives; it is new to him. It takes a while to get up to speed.

I would hate to see us too quickly abandon some of these concepts that I think are working out pretty well, not perfectly, but with sufficient promise to warrant preserving the best of them. I would advise you to approach this topic with that in mind, trying to build on what is good, while discarding that which it is pretty clear has not been workable. What you are doing is right.

Senator QUAYLE. You do not have any problem with the decisions to terminate the public service employment component of CETA, do you?

Mr. HAND. No.

Mr. LINDSAY. Personally, no.

Senator QUAYLE. All right.

Thank you very much.

Our next witness is Mr. James Campbell.

Greetings.

Who is your colleague?

STATEMENTS OF JAMES CAMPBELL, CHAIRMAN, EDUCATION, EMPLOYMENT AND TRAINING COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES, AND PRESIDENT, MISSISSIPPI SCHOOL SUPPLY CO., JACKSON, MISS., ACCOMPANIED BY MADELEINE HEMMINGS, COMMITTEE EXECUTIVE, EDUCATION, EMPLOYMENT AND TRAINING COMMITTEE, U.S. CHAMBER OF COMMERCE, A PANEL

Mr. CAMPBELL. I am Mr. Campbell.

Senator QUAYLE. And you are?

Mr. CAMPBELL. Madeleine Hemmings, of the U.S. Chamber of Commerce.

Senator QUAYLE. Go ahead and proceed, Mr. Campbell.

Mr. CAMPBELL. Thank you, sir.

My name is James Campbell. I am president of the Mississippi School Supply Co., and chairman of the Committee on Education, Employment and Training of the Chamber of Commerce of the United States. As I have already indicated, with me today is Madeleine Hemmings, committee executive for the U.S. Chamber's Education, Employment and Training Committee.

Mr. Chairman, I am here today on behalf of the chamber's members, including over 130,000 business firms, 1,300 trade and professional associations, and 2,700 State and local chambers of commerce, to discuss general concerns in employment and training from the business point of view.

We congratulate the chairman and the committee members on their wisdom and foresightedness in convening these hearings at this time. Forces are converging which make it particularly important that we begin an early discussion of Federal employment and training policy and that the debate focus on the fundamental issues.

Employment and training must be considered in the context of the environment in which they are occurring. We are summarizing our statement, which we request permission to submit for the record.

Our presentation is in two parts: The first is a review of the economic, manpower and education considerations, against which employment and training decisions must be made, and the second discusses the questions raised by the subcommittee.

Forecasts of the state of the economy are important because they tell us whether there will be a demand for employees, which industries will need them and, therefore, what types of skills will be needed.

An expanding economy, which means individual businesses are growing, is the way real, unsubsidized jobs are created. Employers with unfilled orders look for people, equipment and raw materials they need to deliver the wanted products or services. So the important condition necessary for expanding employment is a healthy, growing economy.

The Bureau of Economic Analysis' "Survey of Current Business" for March 1981, asked surveyed manufacturers' opinions of the adequacy of their manufacturing capacity; 55 percent characterized their existing manufacturing capacity as "about adequate." But almost a third of all manufacturers characterized their current plant and equipment as inadequate.

If the forecasts prove accurate, the early eighties will produce steady economic growth and almost full capacity use of manufacturing facilities in many industries.

If this happens in an environment of significant dissatisfaction with plant and equipment adequacy, we can expect to see significant investment in new plant and facilities, especially if Congress enacts the accelerated capital cost recovery program. If this investment potential becomes reality, we can expect the investment to be in the most sophisticated and efficient manufacturing methods and technologies.

The chamber forecasts are based on the assumption that the President's economic recovery program will be enacted by Congress. Passage of the economic recovery package then is seen as the first step toward increased employment in this country.

Increases in capacity utilization mean increased demand for manpower. Increased investment in more sophisticated manufacturing methods means increases in the demand for skilled manpower at all levels. The question is: Will we have the people and will this mean less unemployment? The chamber thinks it will, only, though, if we take the right steps now.

We have a shortage of skilled workers to date. The extent of the shortage is very inadequately documented at this time; but what has surfaced indicates a serious and growing problem which will be aggravated by any economic recovery and increased capacity utilization.

The Department of Labor reports that the United States will need 210,000 more machinists, plus 196,000 machine operators by 1990. Yet, only 2,300 people complete apprenticeship programs in these critical fields each year. If this continues, we will have 20,700 new journeymen machinists and machine operators by 1990, some 5 percent of what we will need. These are the people who build the machines that build other machines. Without an adequate supply of such machinists, the economic recovery will only limp along.

The Associated General Contractors of America report that we are not replacing retiring journeymen in the commercial construction trades, an industry which employs 3 out of every 10 skilled workers in America. Commercial construction tradesmen build the new plants, offices, commercial buildings and support systems for these facilities.

For each of the next 10 years, our Nation will require 10,400 tool and die makers, 58,000 machine repair persons, 35,000 inspectors, 9,200 industrial computer systems analysts, 11,000 drafters and 23,000 engineering technicians. Today, there are too few people going into any of these fields.

An Armed Forces Committee report, dated December 30, 1980, found that the skilled manpower shortage is a major contributor to the necessary leadtimes and costs currently impacting the defense industry. The same report showed that, today, 90 percent of the U.S. manufactured semiconductor assembly is done offshore: in Malaysia, Taiwan, and the Philippines, Korea, and Hong Kong.

The administration proposes to expand the fleet by one-third—to 600 ships. But today, the Navy is short some 20,000 sailors and at least 24,000 petty officers. The Senate Armed Services Committee recently reported, "The Navy will be unable to man adequately the new ships entering the fleet." The Army has equally severe problems, especially as new, sophisticated weaponry is developed.

Unemployment. Right now, while we are concerned about unemployment, jobs are going begging. In May 1980, the Conference Board's index of classified advertising stood at 120 percent of normal at a time when unemployment was a 7.1 percent. This is only one indication of the gap between the skills available in the work force and the labor market demand. But the jobs available are demanding jobs, requiring sophisticated skills. Today's openings cannot be filled by quick-fix training programs. The people we need require a combination of a good general education and training in advanced skills. Such people are in extremely short supply.

U.S. population. The manpower problem is compounded by the population shift now occurring. In the eighties, the work force will divide into several groups, each of which presents its own set of problems, challenges and opportunities:

The 16- to 24-year-olds. The number of people in the 16 to 24 years old age group will drop 16 percent in the eighties. The group will be made up of a larger proportion of minority group members and those whose native language is not English.

The 25- to 44-year-olds. Job seekers and job holders aged 25 to 44 will increase by 30 percent in the eighties.

More experienced workers will be available in the 25- to 44-year-old group. They will be able to do some of the work the young people are not available for, but will not work for entry-level wages.

Many in the mature population will want to continue to work, and we may need them if we have not developed a strong system to replace their skills in the younger work force.

Women under 50. Women under age 50 are now represented in the work force equally with men. The majority of them expect to work for most of their lives.

Working women share all the concerns of their cohorts. They also have a few of their own: improved schools, easy access to good child care and medical facilities for children; improved arrangements for afterschool care of children. As children become a scarce resource, the country may more actively share these mothers' concerns.

The United States cannot sustain economic recovery and military preparedness if it does not have or cannot get the human resources necessary to make use of its capital and natural resources.

Education. An economic recovery which includes a major investment in new technologies, which occurs in the midst of a skills shortage and a population decline and shift, means we need to understand better our most precious resource—people. We will have to improve our education system to the point that almost everyone who comes out of it is employable and can more quickly reach his or her maximum potential in our society.

Eighty years later, employers remain consistent; they are still asking for the same thing. If a piece of sophisticated equipment costs $2 million, the only jobs the machine does not do are those that require human judgment.

Today's employees all need an education which makes them capable problem solvers and responsible decisionmakers, equipped with active, inquiring minds. Employers today need to be able to continue to learn to cope with a rapidly changing technology and society. If America is to retain its economic leadership, we must revitalize our education system.

We must get over our confusion about whether the education system should prepare people for life or for work. Today, most people do work. Commonsense indicates it is only fair to teach people to work successfully. Learning how to work successfully must become a major goal of the education system. This means that we must make a serious commitment to teaching students from kindergarten through graduate school how adults use school learned skills.

We must introduce students to the people who use learning, let those people explain how they do work and what the satisfactions and frustrations of their work lives are. We must stop seeing career education as an unnecessary add-on course, giving general descriptions of occupations. Career education must be an integral part of the entire curriculum. We must make a commitment to bring schools, teachers and our young people in much closer contact with the work world.

Vocational education can be a very important source of the skilled work force we need, and must be recognized as such in the discussion. The primary Federal investment in vocational education should be directed toward increasing the quality and availability of vocational education.

Conclusion. Employment and training efforts are virtually futile unless the economy is growing. To keep that economy growing, Congress must pass the President's economic recovery program to encourage continued economic growth. But that economic growth will depend to a large degree on whether we can reduce the skills shortage and improve our education system.

Mr. Chairman, this second section contains responses to your questions on employment and training.

The problem is complex. We know a great deal about it, but not everything we need to know. These hearings are particularly valuable because they increase the level of public debate and will encourage many ideas to surface.

All viable ideas need to be considered. The employer point of view on employment and training is of vital importance. Yet, the questions posed are difficult and far ranging. Therefore, in addressing the committee's questions, we have taken a critical approach. Our responses do not necessarily reflect chamber policy in every instance, but are intended to help in the critical analysis needed on the future direction of Federal employment and training policy.

Two problems clamor for first priority: the skilled labor shortage and employment of the dependent population.

The skills shortage is sufficiently severe to be a primary national issue. Without adequate trained manpower, there will be no economic recovery of any duration, our military position may be in jeopardy and competitive economies will erode our markets. If this scenario were to occur, it would gradually threaten our standard of living.

What are the best methods for carrying out the objectives of employment and training policy?

Many things have been tried. So far, we have not really figured out the winning combination.

Incentives to private employers. The private employers now spend some $30 billion a year on their own training programs. This is more than three times the cost of CETA per year. Why do they do it? They have to. Jobs are changing. Employees must be trained for new jobs, new equipment, for advancement and to make up for what they do not get in the school system.

Employers ask for high school graduates who can read, write, compute and communicate. Such skills used to be the mark of the grade school graduate. Some large employers say that many college graduates they hire are not prepared to do the kinds of analytical thinking required in their organizations.

On the other hand, with a bill of $30 billion a year, employers have every incentive to train efficiently and with a positive cost/benefit ratio. Perhaps we need to study private training more carefully and learn from it. Should we also consider developing incentives for employers to admit nonemployees to their training programs?

What about small employers? Tax incentives have not brought the small employer running to claim the credits offered for hiring the economically disadvantaged. Why? It takes a great deal of tax credit to get an employer to take on someone who puts an extra burden on him and his staff. When the same employer envisages his rewards for taking on a problem person as an IRS audit, unpleasant but undefined problems with government regulators, and possible discrimination charges, where is the break-even point for him?

Even more serious than that, however, is the fact that unless the employer is making a profit, he pays no taxes. So a tax break is no incentive to hire. Unless the employer's business is strong enough to assure him that he can keep the productive people he has working for him, he will not hire another person, much less a problem person.

What we really created was a very expensive program to create discontent. Sincere poor people came to a program expecting to be trained for a new life of independence and access to the mainstream. What they got was a temporary increase in their expectations, a temporary increase in their standard of living, and a rapid return to their previous circumstances after 18 months.

Should particular groups in the labor force be the concern of employment policy?

The Constitution of the United States opens with the phrase "to promote the general welfare," not the specific welfare of particular groups. We simply do not know to what degree the Federal Government should direct public policy to particular groups in our economy.

What should be the relationship of employment and training policies to income-maintenance policies?

This is a very important question at this time. Would it be wise to separate training from income maintenance? Education and training specialists are not necessarily social workers.

Our training system could then be pluralistic and both public and private. It could be designed to bring those coming to it into the mainstream education and employment system. Somehow education and training programs could compete with each other for participants on the basis of results achieved. Those that failed would become ineligible to receive further participants, or at least Government support. Those that succeeded would be encouraged.

What are the appropriate relationships between Federal, State, and local governments in the funding, design, and administration of employment and training?

Why should Members of Congress view Government as the logical source of employment and training? Educators know how to teach, trainers know how to train, and employers know what skills are required.

Can the diverse sets of programs which constitute the employment and training system be coordinated?

We assume this means the Federal Government's programs. There is not only a need to coordinate programs, but also a need to eliminate the unsuccessful programs and to encourage the successful programs.

What is the appropriate role of the private sector in the design and implementation of employment and training programs?

The private sector cannot handle continual changes in governmental rules of the game any more than the public sector can perform well under such circumstances. Many of the problems of public employment and training programs arise because of continual legislative and regulatory change.

Have employment and training programs worked?

Some Federal programs worked. Many have not.

Business spends $30 billion a year on training, so training programs must produce. Training and employment will work much better if the basic education system produces people who are prepared to learn and know how to work. Training and employment programs can only be effective if they are preparing people to respond to labor market demand. Anything else is a waste of time and money and a cruel hoax to those who participate.

In conclusion, we thank the chairman and committee members for initiating this critical inquiry and for allowing us to present a business point of view. We look forward to working with the committee and its staff as this dialog continues.

[The prepared statement of Mr. Campbell follows:]

STATEMENT
on
EMPLOYMENT AND TRAINING
before the
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
of the
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
James Campbell
June 15, 1981

My name is James Campbell. I am President of the Mississippi School Supply Company and Chairman of the Committee on Education, Employment and Training of the Chamber of Commerce of the United States. With me today is Madeleine Hemmings, Committee Executive for the U.S. Chamber's Education, Employment and Training Committee.

Mr. Chairman, I am here today on behalf of the Chamber's members, including over 130,000 business firms, 1,300 trade and professional associations and 2,700 state and local chambers of commerce to discuss general concerns in employment and training from the business point of view.

We congratulate the Chairman and the committee members on their wisdom and foresightedness in convening these hearings at this time. Forces are converging which make it particularly important that we begin an early discussion of federal employment and training policy and that the debate focus on the fundamental issues.

Employment and training must be considered in the context of the environment in which it occurs. Our presentation is in two parts: the first is a review of the economic, manpower and education considerations, and the second discusses the questions raised by the Subcommittee.

PART I - BACKGROUND

Let us first examine the economic, manpower and education situation which will put the employment and training issues in perspective.

THE ECONOMY:

Forecasts of the state of the economy are important because they tell us whether there will be a demand for employees, which industries will need them and, therefore, what types of skill will be needed. An expanding economy, which means individual businesses are growing, is the way real, unsubsidized jobs are created. Employers with unfilled orders look for people, equipment and raw materials they need to deliver the wanted products or services. So the most important condition necessary for expanded employment is a healthy growing economy.

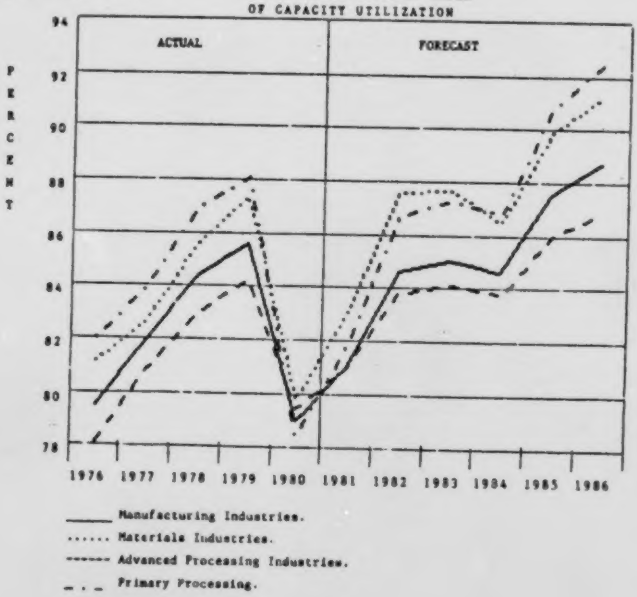
1. On May 21st, the U.S. Chamber released a Forecast Center special report entitled, The U.S. Industrial Outlook. This report shows that over the last 20 years, the national economy has become increasingly reliant on the non-manufacturing sector as a source of income and new jobs. This trend is expected to continue. Nevertheless, the manufacturing sector remains of vital importance to the nations economic health, and its growth remains a major indicator of future economic well-being. The Chamber's report makes the following forecast for industrial production growth:

> As investment rises during the next six years, industrial production is expected to be substantially higher than it was over the past two cycles. Total production should grow at an average annual rate of 4.9 per cent during 1981-1986 compared to 3.9 per cent during 1969-1973 and 2.7 per cent over the 1973-1979 cycle. This renewed economic vigor will be shared by all the industries to different degrees.

That kind of forecast is particularly significant because we know that if the basic manufacturing sector of the economy is experiencing healthy growth, other sectors will grow with it.

2. The U.S. Chamber's Forecast of Capacity Utilization using the Federal Reserve Board's Index indicates that use of manufacturing capacity will be 85% in the period 1981-1986. However, the following chart indicates that the 1981-1986 period will bring continued growth in capacity use from approximately 81% to some 89%, with primary processing going to over 92%.

FEDERAL RESERVE BOARD INDEX
OF CAPACITY UTILIZATION



The Bureau of Economic Analysis' Survey of Current Business for March 1981 asked surveyed manufacturers opinions of the adequacy of their manufacturing capacity. Fifty-five percent characterized their existing manufacturing capacity as "about adequate." But almost a third of all manufacturers characterized their current plant and equipment as inadequate.

If the forecasts prove accurate, the early 80's will produce steady economic growth and almost full capacity use of manufacturing facilities in many industries. If this happens in an environment of significant dissatisfaction with plant and equipment adequacy, we can expect to see significant investment in new plant and facilities, especially if Congress enacts the accelerated capital cost recovery program. If this investment potential becomes reality, we can expect the investment to be in the most sophisticated and efficient manufacturing methods and technologies.

The Chamber forecasts are based on the assumption that the President's economic recovery program will be enacted by Congress. Passage of the economic recovery package is the first step toward increased employment.

MANPOWER:

Increases in capacity utilization mean increased demand for manpower. Increased investment in more sophisticated manufacturing methods means increases in the demand for skilled manpower at all levels.

Theoretically then, the U.S. faces the real possibility of more people working and less people out of work...a very happy forecast. Or does it? Let us examine the possibilities:

The Skills Shortage There is a shortage of skilled workers. The extent of the shortage is very inadequately documented at this time. But, what has surfaced indicates a serious and growing problem which will be aggravated by any economic recovery and increased capacity utilization.

The Department of Labor reports that the United States will need 210,000 more machinists plus 196,000 machine operators by 1990. Yet only 2,300 people complete apprenticeship programs in these critical fields each year. If this continues, we will have 20,700 new journeymen machinists and machine operators by 1990...some 5% of what we will need. These are the people who build the machines that build other machines. Without an adequate supply of such machinists, the economic recovery will only limp along.

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For each of the next 10 years our nation will require 10,400 tool and die makers, 58,000 machine repair persons, 35,000 inspectors, 9,200 industrial computer systems analysts, 11,000 drafters and 23,000 engineering technicians. There are too few people going into any of these fields.

It is now harder to replace a good secretary than a good executive. The present shortage is estimated to be 80,000. By 1985, Dunhill Personnel System predicts a shortage of a quarter of a million secretaries.

The Massachusetts High Technology Council - the trade association for the State's 100 plus technology based firms - says its members could create 100,000 jobs in the next few years. These employers know they cannot find the skilled employees they need in Massachusetts so must look elsewhere...so they are looking around the world.

An Armed Forces Committee Report dated December 30, 1980 found that the skilled manpower shortage is a major contributor to the necessary lead times and costs currently impacting the defense industry. The same report showed that today 90% of the U.S. manufactured semi-conductor assembly is done off-shore; in Malaysia, Taiwan, the Phillipines, Korea and Hong Kong.

Pierre Renfret, a noted economist, says the defense-related aerospace and aircraft industries have never operated at over 78% of capacity because of the shortage of skilled labor. They are now operating at 74%.

Today's military manpower problems may well foreshadow the future if we do not come to grips with the skills shortage.

The Administration proposes to expand the fleet by one-third -- to 600 ships. But today, the Navy is short some 20,000 sailors and at least 24,000 petty officers. The Senate Armed Services Committee recently reported "The Navy will be unable to man adequately the new ships entering the fleet". The Army has equally severe problems, especially as new sophisticated weaponry is developed.

Unemployment Right now, while we are concerned about unemployment, jobs are going begging. In May 1980, the Conference Board's index of classified advertising stood at 120% of normal at a time when unemployment was 7.1%. This is only one indication of the gap between the skills available in the workforce and the labor market demand. But the jobs available are demanding jobs, requiring sophisticated skills. Today's openings cannot be filled by quick-fix training programs. The people we need require a combination of a good general education and training in advanced skills. Such people are in extremely short supply.

U.S. Population The manpower problem is compounded by the population shift now occurring. In the 1980's, the workforce will divide into several groups, each of which presents its own set of problems, challenges and opportunities:

The 16-24 year olds The number of people in the 16 to 24 years old age group will drop 16% in the 1980's. The group will be made up of a larger proportion of minority group members and those whose native language is not English. This change signals the beginning of a sharp drop in the growth of the labor force and means that employers will have to hire a greater porportion of people in this age group. The obvious conclusion is that if the young people are going to take advantage of the opportunities this population shift represents, they must be educated and trained to be able to do so. If we can find a way to prepare our young people for the wealth of opportunity they will have in the work world, the youth employment problem will diminish, if not disappear. If we do not find a way to bring our minority youth into the economic mainstream, we will have missed a great opportunity. We will also work an unnecessary hardship on an important group of our citizens.

The 25-44 year olds Job seekers and job holders aged 25-44 will increase by 30% in the 1980's. Here is the baby boom generation grown up. By 1990, this group will constitute 53% of the population.

More experienced workers will be available in the 25-44 year old group. They will be able to do some of the work the young people are not available for but will not work for entry-level wages. This age group will be facing intense competition for promotion. If inflation continues, it will be almost impossible for this group to maintain its standard of living. Therefore, there may well be a great demand for retraining, a high interest in self-employment and a rush for credentials with which to compete and protect one's position and advance.

The over 55 group The population over age 55 is growing and its life expectancy continues to rise dramatically. Today the 65 year old man or woman can expect to live another 13 to 14 years. Most people who reach 65 in developed countries are physically and mentally middle-aged and able to function normally in the workplace.

Many in the mature population will want to continue to work, and we may need them if we have not developed a strong system to replace their skills in the younger workforce.

Women under 50 Women under age 50 are now represented in the workforce equally with men. The majority of them expect to work for most of their lives.

Working women share all the concerns of their cohorts. They also have a few of their own:

- improved schools
- easy access to good child-care and medical facilities for children
- improved arrangements for after-school care of children

As children become a scarce resource, the country may more actively share these mothers' concerns.

Overall The United States cannot sustain economic recovery and military preparedness if it does not have or cannot get the human resources necessary to make use of its capital and natural resources. Progress will be made, but even our own manufacturers will be forced to take their production where they can get people to do the work. Other countries will be willing to train their people for these jobs. We know that some third world countries are already making their people available at much lower wage rates and that, in many cases, there is no loss in product quality to manufacturers who use them.

EDUCATION:

An economic recovery which includes a major investment in new technologies, which occurs in the midst of a skills shortage and a population decline and shift, means we need to understand better our most precious resource--people. We will have to improve our education system to the point that almost everyone who comes out of it is employable and can more quickly reach his or her maximum potential in our society.

At the beginning of this century, employers explained to the education community that they needed a skilled workforce, educated well enough to think and act independently and responsibly. Their pleas are recorded in The History of Vocational Education in entries dated 1901, 1903, 1907.

Eighty years later, employers remain consistent; they are still asking for the same thing. If a piece of sophisticated equipment costs $2 million, the only jobs the machine does not do are those that require human judgement.

Today's employees all need an education which makes them capable problem solvers and responsible decision-makers, equipped with active, inquiring minds. Employees today need to be able to continue to learn to cope with a rapidly changing technology and society. If America is to retain its economic leadership, we must revitalize our education system.

We must get over our confusion about whether the education system should prepare people for life or for work. Today, most people do work. Common sense indicates it is only fair to teach people to work successfully. Learning how to work successfully must become a major goal of the education system. This means that we must make a serious commitment to teaching students from kindergarten through graduate school how adults use school-learned skills. We must introduce students to the people who use learning, let those people explain how they do work and what the satisfaction and frustrations of their working lives are. We must stop seeing career education as an unnecessary add-on course, giving general descriptions of occupations. Career education must be an integral part of the entire curriculum. We must make a commitment to bring schools, teachers and our young people in much closer contact with the work world.

Vocational education can be a very important source of the skilled workforce we need, and must be recognized as such in the discussion. The primary federal investment in vocational education should be directed toward increasing the quality and availability of vocational education.

CONCLUSION

Employment and training efforts are virtually futile unless the economy is growing. To keep that economy growing, Congress must pass the President's economic recovery program to encourage continued economic growth. But, that economic growth will depend to a large degree on whether we can reduce the skills shortage and improve our education system.

PART II - COMMITTEE QUESTIONS ON NATIONAL EMPLOYMENT AND TRAINING POLICY

Mr. Chairman, this second section contains responses to your questions on employment and training. The problem is complex. We know a great deal about it, but not everything we need to know. These hearings are particularly valuable because they increase the level of public debate and will encourage many ideas to surface. All viable ideas need to be considered. The employer point of view on employment and training is of vital importance. Yet, the questions posed are difficult and far ranging. Therefore, in addressing the committee's questions, we have taken a critical approach. Our responses do not necessarily reflect Chamber policy in every instance, but are intended to help in the critical analysis needed on the future direction of federal employment and training policy.

1. What are the appropriate objectives of employment and training policy?

The first question the Committee's inquiry raises is "whose policy?" Should we assume that national policy means federal government policy -- and intervention? Can we not consider past as prologue, rather than past as precedent...and leave the range of options wide open.

We have used federal employment and training programs for many purposes:

The New Deal	to give private employers public construction work with which to revive the economy and employ people.
The New Frontier	to train people displaced by technology for jobs in occupations for which workers were in short supply, but soon changed to training the economically disadvantaged for jobs they could reasonably expect to get.
The Great Society	to provide work experience for the hard core unemployed.
In the 70's	to use the government to employ the jobless and view government as the employer of last resort.

Meanwhile, we continue to try to train the disadvantaged for unsubsidized employment.

Two problems clamor for first priority: the skilled labor shortage and employment of the dependent population.

The skills shortage is sufficiently severe to be a primary national issue. Without adequate trained manpower, there will be no economic recovery of any duration, our military position may be in jeopardy and competitive economies will erode our markets. If this scenario were to occur it would gradually threaten our standard of living.

A less dramatic but important issue is the sequence in which we should plan to train and retrain people. If the demand for skilled employees in new technologies is high, should we not emphasize training displaced workers for emerging occupations? This approach is based on the theory that it is easier to retrain people who already have some skills and established work habits to do more complex work than it is to teach the unskilled highly complicated jobs. Also, to neglect the citizen who has worked for a number of years, but who is now displaced due to technological change, in favor of the person who has never carried his share of society's costs -- for whatever reasons -- may be unwise.

But, we cannot forget the hard-core unemployed.

2. What are the best methods for carrying out the objectives of employment and training policy?

Many things have been tried. So far we have not really figured out the winning combination.

Incentives to Private Employers Private employers now spend some $30 billion a year on their own training programs. This is more than three times the cost of CETA per year. Why do they do it? They have to. Jobs are changing. Employees must be trained for new jobs, new equipment, for advancement and to make up for what they do not get in the school system.

Employers ask for high school graduates who can read, write, compute and communicate. Such skills used to be the mark of the grade school graduate. Some large employers say that many college graduates they hire are not prepared to do the kinds of analytical thinking required in their organizations.

Where employers are forced to duplicate the education and training, which is the rightful province of the education system, employer expenditures are inflationary because those costs must be added to the cost of the goods and services they produce.

On the other hand, with a bill of $30 billion a year, employers have every incentive to train efficiently and with a positive cost/benefit ratio. Perhaps we need to study private training more carefully and learn from it. Should we also consider developing incentives for employers to admit non-employees to their training programs?

What about small employers? Tax incentives have not brought the small employer running to claim the credits offered for hiring the economically disadvantaged. Why? It takes a great deal of tax credit to get an employer to take on someone who puts an extra burden on him and his staff. When the same employer envisages his rewards for taking on a problem person as an IRS audit, unpleasant but undefined problems with government regulators, and possible discrimination charges, where is the break even point for him?

Even more serious than that, however, is the fact that unless the employer is making a profit, he pays no taxes. So a tax break is no incentive to hire. Unless the employer's business is strong enough to assure him that he can keep the productive people he has working for him, he will not hire another person, much less a problem person.

Labor Market Information   For planning purposes, labor market information is weak everywhere. Can we strengthen it without hurting employers? Can employer afford to tell any government agency or school what their plans are? Will not their competitors have access to that information thereby threatening the cooperating employer's competitive edge or even his organization's survival? Social conscience or not, employers cannot and will not risk such losses. Is there a way that information can be shared and confidentially fully protected?

Job Matching Services   Our public job service has not met expectations and those expectations have been multiple. The job service looks to move into the professional placement area. Is that where it belongs? If the job service is financed through the unemployment insurance taxes, should not the job service concentrate on placing those who are receiving unemployment benefits and so reduce unemployment insurance costs? If the job service is successful with those drawing unemployment benefits, should the service not reach out more to those drawing welfare and other entitlement benefits so as to minimize the budgetary and inflationary impacts of our safety net programs?

Public Service Job Creation The Public Service Employment program has been an effective revenue sharing program. It has not been an effective training program even though that is its' stated purpose. At a cost of some $53 billion, less than 19% of the people who went through Title VI of CETA, ever got a gainful job or got a job in the private sector. This program stands as a warning against establishing government programs without adequate consideration of their true impact. Theoretically, if a public agency can use a person for 18 months at no cost, the person should learn enough to be able to move into permanent employment for that employer. No doubt many did. However, the program design created an almost irresistible incentive for financially pressed public agencies to use the people as long as they could, give them as little training as possible to keep operating costs down, and to get a new crop of subsidized employees every time the first group's eligibility expired.

What we really created was a very expensive program to create discontent. Sincere poor people came to a program expecting to be trained for a new life of independence and access to the mainstream. What they got was a temporary increase in their expectations, a temporary increase in their standard of living and a rapid return to their previous circumstances after 18 months. If the participants worked better and harder than the public employee who worked next to them, the participant was laid off, not the public employee. We created a $53 billion dramatic and personal lesson in how the American system of reward for hard work does not work. Let us not do that again.

3. Should particular groups in the labor force be the concern of employment policy?

The Constitution of the United States opens with the phrase "to promote the general welfare", not the specific welfare of particular groups. We simply do not know to what degree the Federal Government should direct public policy to particular groups in our economy. Certainly, improved education in our schools would go a long way toward lessening the need for special treatment of particular groups. Yet, in one way or another, the poor will always be with us and deserve our attention.

4. What should be the relationship of employment and training policies to income-maintenance policies?

This is a very important question at this time. Would it be wise to separate training from income-maintenance? Education and training specialists are not necessarily social workers. Social workers are not necessarily educators. Their basic approaches are different. Should we establish two systems? One system could concentrate on locating the poor, the needy, the economically disadvantaged. That system could have at its disposal our array of resources for sustaining people who cannot make it on their own. Professionals in the income-maintenance effort could also have programs at their disposal, such as the veterans benefit program. The income-maintenance system could be a training system for the people able to benefit from further training and employment assistance.

Our training system could then be pluralistic and both public and private. It could be designed to bring those coming to it into the mainstream education and employment system. Somehow education and training programs could compete with each other for participants on the basis of results achieved. Those that failed would become ineligible to receive further participants, or at least government support. Those that succeed would be encouraged.

5. What are the appropriate relationships between Federal, State and Local Governments in the funding, design and administration of employment and training programs?

Why should members of Congress view government as the logical source of employment and training? Educators know how to teach, trainers know how to train, and employers know what skills are required. So there is a logical need for these groups to work together. To the degree that they succeed, there will be less need for local government, for state government or the federal government to plan and design our education, employment and training programs.

5. Can the diverse sets of programs which constitute the employement and training system be coordinated?

We assume this means the federal government's programs. There is not only a need to coordinate programs, but also a need to to eliminate the unsuccessful programs and to encourage the successful programs.

The federal government spent $750 million experimenting with youth training programs. Those experiments pointed up some of the elements of a successful program. Success is more directly related to good management than program design and almost any training intervention will do some good for some people.

These experiments demonstrated that we need several things:

- a portfolio of options for people who will choose the program that is best for them. Programs also work better if the people in them want to be there.
- a sequence of interventions or incentives over a period of years to bring the disadvantaged to the semi-skilled level. One way to do so and to improve the effectiveness of training programs is to design programs so that good performance in one training program earns a better opportunity in another.
- a system for alternating training and work experiences, preferably unsubsidized work experiences.

7. What is the appropriate role of the private sector in the design and implementation of employment and training programs?

The private sector cannot handle continual changes in governmental rules of the game any more than the public sector can perform well under such circumstances. Many of the problems of public employment and training programs arise because of continual legislative and regulatory change.

The Private Sector Initiatives Program has shown some outstanding accomplishments in less than two years. PSIP should not be destroyed or changed before it matures; it should be given a chance to succeed.

Also, the private sector should be free to contract to carry on both training and employment programs. People who train and place people for a profit must do so efficiently and effectively or they will not stay in business. It is wasteful not to take advantage of their expertise. Therefore, why not create a cooperative rather than a competitive environment between public and private employment and training agencies and professionals?

8. Have employment and training programs worked?

Some federal programs worked. Many have not.

Business spends $30 billion a year on training, so training programs must produce. Training and employment will work much better if the basic education system produces people who are prepared to learn and know how to work. Training and employment programs can only be effective if they are preparing people to respond to labor market demand.

Anything else is a waste of time and money and a cruel hoax to those who participate.

CONCLUSION

In conclusion, we thank the Chairman and committee members for initiating this critical inquiry and for allowing us to present a business point of view. We look forward to working with the committee and its staff as this dialogue continues.

Senator **QUAYLE**. Thank you very much, Mr. Campbell, for a very outstanding statement. It poses a varied number of relevant facts and statistics.

One of the more revealing facts that your statement points out was the shortage of skilled trades, not only in the private sector but also in our military services.

You referred to the report of the Armed Services Committee, saying that the industrial capacity simply is not there as far as the skilled labor that is necessary. This does not just apply to the military. There are other sectors in the country that have shortages of skilled labor.

My question is, Where have we failed to promote that skilled labor and what is our response to that shortage?

Where have we failed?

Mr. **CAMPBELL**. I think that we have been short in paying enough attention as a nation, as an educational system, in career counseling, which is almost an adjunct now in our educational system, even as much as emphasis has been put on it, but we do not tell our young people of the opportunities, the career opportunities, and do not point them out, nor do we expose them to these career opportunities enough while they are in high school or even elementary school; and, for that matter, the grades 1 through 12.

I really think that we have a responsibility as an educational system to help relieve this. I think we fail there.

Senator **QUAYLE**. So you would place the primary burden on the failure of the education system to point out some of the opportunities available through skilled trades, skilled trade unions; is that correct?

Mr. **CAMPBELL**. Career counseling.

Madeleine, would you like to respond to that?

Ms. **Hemmings.** We have also spent a number of years persuading everyone to go to college. We are now getting a diminishing return on the salaries for people coming out of college because we have almost an oversupply. We have forgotten perhaps to tell our young people of the great satisfactions that come from doing highly skilled work and that the degree of intelligence needed in those jobs may many times be even greater than many white-collar jobs and that we need them to do these kinds of things; that more people ought to go in the direction of skilled employment.

We should not be continually——

Senator **Quayle.** Pull your microphone up, please.

Ms. **Hemmings.** OK.

I believe that that would be it.

Senator **Quayle.** When you use the word "we," are you saying we, the Federal Government, we, the business community, we, the educational community; who is "we"?

Mr. **Campbell.** When we say "we," I think we are referring to the chamber of commerce.

Senator **Quayle.** OK.

You are saying the chamber of commerce. The chamber of commerce, as far as—the chamber of commerce certainly is not going to accept the responsibility for any kind of failure in the education system?

Mr. **Campbell.** No.

Senator **Quayle.** The collective "we" that you used——

Ms. **Hemmings.** Society.

Senator **Quayle.** What I am trying to get to, as I did with the first panel is, What is the role of the Federal Government? What is our role? Start with the education system if you want to, although this is not an oversight hearing on education. But when you say "we," we have not exposed them to the availabilities, does that mean there is a national policy that the administration, the Congress, public officials, the Federal Government, the local communities have been derelict in promoting? Where do we draw the line?

Mr. **Campbell.** I think all of those. I misunderstood your question.

I think all of the constituencies that you mentioned there have been derelict in their responsibilities of pointing out the career paths that are available to young people in this country. And then we have the hardcore unemployment problem that has got to be dealt with in some way; we have to work a way to find ways of working the two together.

Senator **Quayle.** Whose responsibility is it to take care of this—this lack of skilled personnel? How are we going to correct that? Is it the education system, or is it CETA-type programs that gets involved in training?

Would that be helpful?

Mr. **Campbell.** We do not think so.

Senator **Quayle.** You do not think so?

Mr. **Campbell.** No, sir; we do not think a CETA-type program would be an answer. We are currently studying this, Senator Quayle, and we will have, I suppose in the next 3 or 4 months, policy on all of these issues. We are strongly of a mind—now, in this country, we have the public education system; we have a private educational system; we have a proprietary educational system, and then we have a multitude of other educational programs that are generally financed by the Federal Government.

The chamber feels, frankly, first of all, that this is costly, has not been effective, having all of these programs, that education and training can best be done by the established educational systems and by employers. We point out in our testimony some $30 billion is spent by industry each year in training their own employees. We think it is a local matter; we do not think the Federal Government can say what ought to be done as far as California or Texas or any place else.

We think that this has got to be—that education and training is a local responsibility, local and a State responsibility and not the Federal responsibility, other than the coordination of programs, the employment services, perhaps, certainly the economically disadvantaged would be a Federal policy.

The chamber's basic position is that these are local matters, though, and the only place the Federal Government should become involved is if it is of a problem which transcends State and local lines.

Senator QUAYLE. What would be the role of the Federal Government in our education system?

Mr. CAMPBELL. In the education system?

We think basically education is a local and State concern. We think the Federal Government's role in education should only encompass those things that the Congress has said are of national concern. If Congress says this, and imposes upon the educational establishment certain programs, then we feel that the Congress should be prepared to fund these programs.

Senator QUAYLE. Do you think the shortage of skilled personnel is a national concern?

Mr. CAMPBELL. It is of national concern. It becomes very real, although on a local basis. We can sit up and talk about how to get more welders, but if you go to Pascagoula, Miss., and they are trying to hire welders to build destroyers, that is where the real problem is and that is where the solution is going to be found.

Senator QUAYLE. Although you say it would be of national concern, you would not have a national policy then for an educational system directed at the shortage of skilled personnel; is that correct?

Mr. CAMPBELL. We have national policies on everything.

Senator QUAYLE. I know; but I am trying to find out what should be the right policy. I know that we do, and you and I probably agree that we have too many national policies and we ought to have State and local policies.

What I am trying to do is find what should be our national policies and should not: what is the proper role of the Federal Government?

Mr. CAMPBELL. In education?

Senator QUAYLE. In education, you said it was State and local. You said, except things that are of national concern.

I asked, is skilled personnel of national concern and should we have a national Federal policy on skilled personnel?

Mr. **Campbell.** The shortage of skilled workers, the chamber feels, is of national concern. We think that the problem can best be solved, however, in the local communities with the local educational and training establishments that are there. Now, there may have to be Federal involvement as far as funding, especially as it relates to the hardcore unemployable; but it ought not to be dictated by Washington; it ought not to be controlled by Washington. It ought to be implemented on the local level.

Senator **Quayle.** We ought to just give them the money and have them implement it on the local level, basically would be——

Mr. **Campbell.** With accountability and we think that all education needs to have a larger measure of accountability, and both education and training should.

Senator **Quayle.** What would be the Federal role to the hardcore structurally unemployed, the ones that businesses really have no interest in training and there are those. You will concede that point?

Mr. **Campbell.** Yes.

Senator **Quayle.** What is the Federal Government's role with those people, the ones that are really deprived of opportunity, have no skills, no training opportunities; what would be the role of the Federal Government there?

Mr. **Campbell.** We have—I think the chamber admits that we have a responsibility.

Senator **Quayle.** On a Federal level?

Mr. **Campbell.** From a Federal level, from people that you are talking about, sir. We think two or three things, if I may clarify them: the interest payments, transfer of payments and training of our education are two separate and distinct functions of the Federal Government; and we address ourselves only to the education and training.

One answer to that could be a voucher system of sorts that—or a veterans' benefit type program that these people could be awarded to go into programs which could be set up on the local level and those contractors at the local establishment or even proprietary schools, they would continue as long as they produce.

We do not think the chamber is of the opinion that everyone is educable. We think we need, as a nation, to look at this and that we need to adopt a philosophy, if you please, that everyone can learn and this goes back to the established educational system that is in place now in this country.

Senator **Quayle.** Has the chamber endorsed a voucher plan for training?

Mr. **Campbell.** No, sir; we have talked about it, about the voucher plan, and other incentives like that. We have discussed it and I suppose we spent half a day debating it and we have not yet established a policy on it.

Senator **Quayle.** How would this voucher plan work that you have discussed?

Mr. **Campbell.** In the educational system, you are talking about?

Senator **Quayle.** In training.

Mr. **Campbell.** In training.

Well, over all this country we have established vocational schools that are part of the educational establishment. Already over this country we have proprietary schools that turn out a wide range of skilled people for the work force of this Nation and these people, who are the hardcore unemployed, could be given a voucher that they could take and have special programs set up by these already-in-existence educational establishments.

You have to have special programs that are set up and, in some cases, the local educational institutions would probably seize upon the opportunity and others it might be the proprietary schools.

Senator QUAYLE. And the Federal Government would run the voucher program?

Mr. CAMPBELL. Yes.

Senator QUAYLE. OK.

One last question.

What kind of caveats or advice would you like to give this committee as we review the entire CETA operation and propose a substitute for what we have today.

Mr. CAMPBELL. Well, I think one of the gentlemen in the prior panel said, do exactly what you are doing and just study the issue and look it over, to certainly discontinue those programs that clearly have not been successful.

Senator QUAYLE. Do you have a list of those, in your opinion, that have not been successful?

Mr. CAMPBELL. No; that is my opinion, or the chamber's opinion——

Senator QUAYLE. I do not care; your opinion, the chamber's. Do you have a list of programs?

Mr. CAMPBELL. No; we do not.

We are in the process of studying our employment and training policies and we made a promise to the board that we would have a policy to present for their adoption, a new policy to present for them for adoption at their next board meeting, which will be in about 3 months time.

Senator QUAYLE. I would be very receptive to you or anyone else that would come up with a list, subjective, objective, however you want to interpret it, programs that you think have not been useful, that simply have no future in them and ought to be eliminated. I would be more than receptive to that and I am sure other members of the committee would, too.

Mr. CAMPBELL. We will do it.

Senator QUAYLE. You can take it up with the board, a list of such, and the reasons why. We would be very interested.

Mr. CAMPBELL. We can get it to you.

Senator QUAYLE. All right.

Thank you both very much.

[No additional material was received for the record by the time of printing.]

Senator QUAYLE. Our next witness is Carnie Ives Lincoln, from the American Society for Training and Development.

Good morning.

Go ahead and proceed.

STATEMENT OF CARNIE IVES LINCOLN, ASSISTANT SECRETARY, CONNECTICUT GENERAL LIFE INSURANCE CO., AND PRESIDENT, AMERICAN SOCIETY FOR TRAINING AND DEVELOPMENT, ACCOMPANIED BY ROBERT CRAIG, VICE PRESIDENT FOR GOVERNMENT AND PUBLIC RELATIONS, AMERICAN SOCIETY FOR TRAINING AND DEVELOPMENT

Ms. LINCOLN. I am Carnie Ives Lincoln, assistant secretary for Connecticut General Life Insurance Co.——

Senator QUAYLE. Hold the microphone closer to you, please.

Ms. LINCOLN [continuing]. And president of the American Society for Training and Development [ASTD]. Today I am here to represent the more than 40,000 members of our society, the largest group of employee education and training professionals in the Nation. I have also asked Robert Craig, who is vice president of government and public relations, from ASTD's office here in Washington, to assist me in answering any questions that you might have to ask me.

I want to make three points for the subcommittee:

First, the employers of the Nation now operate a massive and effective job education and training enterprise which is making an increasing contribution to national productivity but which usually is not taken into account by those who make manpower and education policy here in Washington;

Second, the Congress should consider ways to build better linkages among this extensive, proven employer resource, the Federal job training initiatives and the job training efforts of traditional education; and

Third, the Congress should consider special incentives which would encourage employers to invest even more heavily in employee development as a realistic and efficient approach to building a more productive workforce.

Sometimes labeled "the Shadow Education System," employer-provided job education and training is large and growing. Although good data are not available, ASTD's own very rough estimate is that private and public employers in the United States now spend upwards of $30 billion annually for employee training and development. This amounts to roughly half the cost of all higher education in the United States. The Bell System alone last year told us that their expenditure for 1980 was probably about $1.7 billion. Employer-provided education is wide-ranging—from basic skills for entry-level employees, to advanced management practices for top-level executives.

Employers are making these increasing investments in human capital for pragmatic purposes: To improve job performance and job satisfaction which, incidentally, go hand in hand.

Not constrained by traditional educational mores nor by the trappings of bureaucratic regulation, many employers have become highly proficient in developing human potential through the use of advanced human resource development concepts and sophisticated instructional technology. Their programs are directed to what people need to know and be able to do in real jobs—jobs that serve the national economic purpose.

From available indications, this employer investment is growing rapidly. Our society, which represents the professionals in the field, has been growing at the rate of 15 percent per year for the past 5 years. And there are many more people engaged in employee education who do not belong to our organization.

Our members report many reasons for this increasing employer expenditure: The need to cope with changing technologies and the changing economy with the concomitant need for new job knowledges and skills; the need to cope with inadequacies of traditional education at virtually all levels; the need to prepare employees for upward mobility for increased technical and managerial responsibility.

We should point out that this growing movement has been led by the larger employers who have great needs and have the resources and economies of scale for accomplishing their own work force performance improvement. Although we are seeing more and more employers of modest size providing formal employee development, many employees in the small business community are without significant job education resources.

Employer-provided education and training is making a major contribution to improving the quality of our work force today. And we want to stress that the issue of work force quality encompasses the entire work force—not just entry level or the unemployed, important as they are.

We must look at those who work in the trades and crafts, in science and engineering, in supervision and management, in clerical and support functions, and in all the jobs that contribute to overall productivity. We must look at large and small employers in manufacturing, finance and banking, transportation, and other service sectors as well as those in the public sector. The aggregate proficiency of the national work force will be the determining factor in national workforce productivity.

The issue of the quality of our work force should be of special interest to the committee. Pat Choate, whom you met earlier, a senior economist at TRW, Inc., recently told a meeting, sponsored by the American Association of Community and Junior Colleges, and ASTD, that he sees "improving the quality of the work force as the principle route to increased national productivity, particularly in the coming decade when capital will become scarce and the technology of many other nations will be comparable to ours."

This same issue will be the subject of an upcoming NBC White Paper, "America Works When America Works," to be broadcast June 25. That program will contend that while America's work is changing, America's work force is not keeping up and this gap will have serious economic implications for the next decade. The program notes that we have no national approach to correcting the problem. Attached to this testimony is a release from NBC describing the program.

[The following was received for the record:]

WHITE PAPER

NEED FOR INCREASE IN TRAINING PROGRAMS TO MEET INDUSTRIAL CHANGE IN U.S.
EXAMINED IN NBC WHITE PAPER PROGRAM 'AMERICA WORKS WHEN AMERICA WORKS'

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NBC News Correspondent Lloyd Dobyns is Reporter for 90-Minute Broadcast

Will America's work force be able to meet the critical economic challenges of the 1980s?

A manpower system that has failed to keep up with industrial change, despite some dramatic successes in teaching Americans new skills, will be examined in the NBC White Paper "America Works When America Works," to be telecast on NBC Thursday, June 25 (9:30-11 p.m. NYT).

NBC News Correspondent Lloyd Dobyns, the reporter for the broadcast, says: "One of our major difficulties is that work is changing in America but the work force is not changing to keep up. Skills which are being phased out of the economy leave a residue of unemployed while companies and industries which are being phased in are terribly short of skilled workers.

"Part of the problem is that even in the United States people are not as movable as checkers. But another reason is that there are no large-scale public facilities to bridge the training gap between what may have been a skill in a business leaving the economy, and a skill in one that's phasing in." Most other western industrial countries do have facilities for closing this gap, Dobyns points out. As an example, he and his White Paper production staff show how a national retraining program works on the scene in West Germany.

While there is no nationwide program in the United States, there are means of making the work force more responsive to the needs of the changing economy currently being tried here, reports Dobyns. These include systems of training and retraining within companies; state governments attempting to

(more)

attract industries not only with tax considerations but training programs that supply the needed skills; and privately run non-profit programs that try to teach new work habits to the long-term unemployed.

In addition, computer systems now exist that can identify working skills not presently recognized but which will be in demand in the near future. This kind of prediction could give better guidance to vocational schools, guidance counselors and state employment authorities. Unfortunately, Dobyns reports, the technique has been resisted by government bodies such as the Departments of Labor and Commerce.

The broadcast also examines America's work ethic -- the philosophy of work. Dobyns says: "In our society, people want to work, not only for the textbook reasons of food, clothing and shelter, but also because if you work you are somebody; if you are unemployed you are diminished." In this regard, the White Paper relates specific increases in the rate of unemployment with identifiable and predictable increases in the death rate, family problems and crime.

The executive producer of "America Works When America Works" is Reuven Frank. The producer is Ray Lockhart. Dobyns, Frank and Lockhart served in the same capacities on last year's NBC White Paper "If Japan Can...Why Can't We?" That broadcast, on America's need to increase productivity, drew the unprecedented response of almost 4,000 requests for transcripts and 4,100 requests for cassette or film copies. In addition, "If Japan Can...Why Can't We?" already has won seven major awards.

The NBC White Paper "America Works When America Works" is under the full sponsorship of the Weyerhaeuser Company (through Cole & Weber, Seattle, Wash.).

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NBC-New York, 6/4/81

Ms. LINCOLN. Dr. Herbert Striner, dean of the school of business at American University, and a long-time advocate of investing in human capital, says that the United States is the only major industrial nation that still does not believe in investing in human resources. Dr. Striner will be featured in the NBC broadcast.

The quality of the work force will become an even more critical issue as we move into what economist Anthony Carnevale calls a new international mercantilism where merchants and governments will increasingly be collaborating to trade resources and products. International competition will be intensified for international markets related to high technology and high skill outputs.

We will have less skilled work force products to trade if the trend continues as reported by the Bureau of International Labor Affairs of the Department of Labor, which said that U.S. share of the world's skilled workers fell from 29 percent in 1963 to 26 percent in 1975.

Since then we have dropped from second place to seventh place in what they call "measured skill endowments" of our work force. The report also contends that the decline in U.S. trade since the sixties is the result of the differences in the growth of net real investment in equipment and in acquisition of labor skills through education and training.

Industrialized nations will tend to compete in products and services requiring high productivity and high skill levels; whereas, less developed nations will likely compete in products and services that require lower productivity and are more labor intensive. Clearly, new national collaboration is essential if we are to build a quality work force to meet the productivity and international trade challenges of the eighties.

The need to address these issues is obvious and one of the major tasks to face is how to achieve better collaboration among the forces that can do something about the problems—how can employers, the government, and education work together more effectively?

There has been relatively little real cooperation between Federal job training programs and the private sector. There is an increasing recognition and rhetoric about the serious gaps between education and work. We must move toward new initiatives that involve all three sectors—and especially in a direction that gives employers a share of operational ownership in national programs.

Federal job training programs should be directed to job knowledges and skills that relate to productive employment as assessed through real knowledge of the workplace. We must have employers' views incorporated into federally funded education legislation that relates to jobs and careers such as the Vocational Education Act and some provisions of the Higher Education Act. When Congress does not consider employer views in developing such legislation, it tends to widen the education-work gap.

Here, Mr. Chairman, I would like to give you a current example of that gap.

Last Friday, an editor from Industry Week magazine called me and said that she had heard that the basic oral and written communication skills and math skills of students coming out of high school and college, had begun to improve; and since I worked for a very large life insurance company, would I care to comment on that?

My response to her was, since I had not hired in a number of years, I would call our employment department and talk to people who are currently employing both high school graduates and college graduates and call her back, which I did.

I called our employment department and I asked them that question and the fellow who talked to me said, "I wish I could tell you they are improving, but they are not; if anything, they are continuing to deteriorate."

At Connecticut General, we need people with basic oral and written skills and basic math skills at all levels of the organization, and we have not seen those in 10 years. We are doing remedial training to make up for that. That is part of the cost of employer education.

Work-oriented educational legislation, such as the Voc Ed Act, could include specific incentives for educators to do better educational needs assessment—both in terms of the kinds of jobs that will be available and the knowledge and skills needed to be up-to-date in those jobs. All too often, our members complain that schools are turning out "buggy whip makers"—and with unrealistic career expectations.

One legislative device that might encourage better education-work relations would be designation of certain Federal funding for educators which could be used only for communications with employers about job markets and the knowledges and skills required to perform in those jobs.

My last point is that Congress should consider how to encourage employers to invest more in developing their work forces. Improved quality of the work force will have significant impact on national productivity in the future. Inherently 'it also will mean enhancement of the jobs and careers of the individuals in the work force—an improved quality of work life as well as improved quality of life overall.

More specifically, we are developing a concept of "targeted employer tax incentives for job education." This is designed to bring increased incentives, with minimal Federal administration, to private-sector employers.

The plan has many potential benefits. It could bring a new order of accountability to the job education through emphasis on investment in training for the real needs of the workplace. It could, through targeting, direct investments in job education to special needs of the economy such as critical skills or to social purpose. It could minimize Federal administrative and bureaucratic expense through the use of the existing tax system.

It could encourage smaller employers to invest in job education and training through use of external education and training resources. It could bring a new relevance to industry-education cooperation by directly relating their programs to real job needs. It could increase utilization of industry's efficient job training practices. It could bring a new involvement of the private sector with Federal job training initiatives.

We believe that any loss of tax revenue would be more than compensated for by an increase in productivity as return on investment.

While the details of this concept are not yet complete, our national issues committee has suggested that, as an example, targeted employer tax incentives might be directed to critical job education needs, such as: first, basic skills and work habits; second, industry generic skills, particularly where there are industry shortages; and third, quality of work life, employee participation programs, and labor management cooperation programs.

Mr. Chairman, I think the time is right for Congress to give serious deliberation to these and other means of encouraging the private sector to invest in human capital and to encourage new collaboration between the Government, the education community, and the Nation's employers in achieving the full potential of our most important resource—our people.

Thank you for giving us an opportunity to talk to your committee.

Senator QUAYLE. Thank you very much, and thank you for putting forth a proposal, although I realize it is still in its early stages, on the targeted employer tax incentives.

How would this work? Would these be tax credits, tax deductions? Are these things that business and industry are presently not doing that would be eligible?

Could you amplify a little bit on this?

Ms. LINCOLN. I would like to, but I also want to be careful that I do not commit our national issues committee to something that they are not prepared to handle.

Senator QUAYLE. We will take judicial notice of that fact, that you are speaking for yourself in trying to amplify on the concept.

Ms. LINCOLN. Before I give you an answer, I would like to tell you that on our national issues committee we have people from General Motors, Con Edison, Xerox, Chesapeake & Potomac. Our people are from the top sector, and I am pleased that they have tackled this as a project for us this year.

I think probably it is our thinking that tax credits or tax deductions, et cetera, would help organizations put money into the training of the work force. Many organizations, particularly the medium- and small-sized organizations, do not have the budget to do the training that is necessary. Large organizations like General Motors, super corporations, do have the money and they are doing an excellent job.

The medium- and small-sized organizations do not have the money. Consequently, those organizations, in my opinion, would benefit more quickly from that kind of targeted program than the larger players.

Senator QUAYLE. It would almost have to be a tax credit, would it not, because a deduction, you can deduct an employee's salary, right? It is deductible already?

Ms. LINCOLN. Right, in my opinion.

Senator QUAYLE. It would have to be in the tax credit and I suppose there would have to be certain limitations on the size of the credit?

Ms. LINCOLN. Right.

Senator **Quayle**. In proportion maybe to the gross sales or taxable income, some sort of leverage?

Ms. **Lincoln**. That is our thinking.

Senator **Quayle**. Would this apply to the past training programs that are presently in effect? You mention in your testimony there is about—industry and business does about $30 billion worth of training. Would that qualify for this type of a tax credit, or tax deduction, special tax treatment that we are talking about, or is it going to be new initiatives that are put forward?

Mr. **Craig**. Mr. Chairman, the thing that we have to do first is set the priorities: What are the national needs; from these establishmented needs, we would set a tax incentive scheme to the needs, and in areas where we did not have a particular national priority there would probably be no tax incentive.

Where we were dealing with critical-skill shortages, there would be. So I think we would have to look at the priorities first for where the needs are before we would design a tax scheme to fit it.

Senator **Quayle**. In other words, you would specify the categories before you get into tax specialty?

Mr. **Craig**. That is right.

Senator **Quayle**. Then we would have limited jurisdiction on how this tax credit would work and what kind of incentives?

Mr. **Craig**. That is right.

Senator **Quayle**. On page 1 of your testimony, you indicate the Congress should consider special incentives. This is what you are talking about, something like this?

Ms. **Lincoln**. That is right.

Senator **Quayle**. You are the second group out of three that has placed a great deal of emphasis on our educational system not providing this quality work force that we are all for achieving. I do not know what the rest of our witnesses today will come forward with, but this seems to be a very integrated part of the problem.

Beyond the educational aspect, you mention the tax incentives. Are there any other specifics that we should be focusing on to improve the quality of the work force—a catchall word for productivity, which we are all for. I do not know anybody that is against it.

Ms. **Lincoln**. Well, I will give you a couple.

I think we need help from the Federal Government in assessing the needs. That is a big job, just determining what the problem really is, and I think we can look to the Federal Government for some help in that area. I mention incentives to the employers; I would also mention, be careful not to put out disincentives.

For example, the IRS has been tinkering around with tax programs in the organization as a fringe benefit. That is a disincentive, and I think Congress should be very watchful for those kinds of things. Then also I think that it would be important to consider the role of the human factor in national economic planning. I think more needs to be done in that area.

Senator **Quayle**. OK.

Do you have any suggestions on what we ought to be doing as far as CETA is concerned?

Ms. **Lincoln**. I would have to echo what the two previous testimonies said. I think: Keep doing what you are doing; you have a long process ahead of you; you are going to be working very hard; keep us involved at every step along the way. We are eager to be a sounding board and I am not just speaking for the American Society of Training and Development; I am speaking for the private sector as well.

We want to offer you our opinions; we would like to give you our reactions; and so, consequently, this kind of structure is excellent and I applaud you for that.

Senator QUAYLE. We certainly will, because conceptually we have to expand upon the partnership with Government, business, and industry. You just cannot have business and industry going one way and the Federal Government going the other way. We have to work together; one should not be a roadblock to the other; and if we do not have the input from business, industry, and labor, people that are affected by our decisions, then we are doomed to inevitable failure.

I think we have seen some rather tough problems and some programs that have been rather inefficient because of that neglect. The neglect may have just been out of dereliction or it may have been intentional. I cannot speak for the motivation, why there has been neglect, but I can assure you that we will continue to have input from all of those.

Thank you for your kindness and your willingness to work with us.

Ms. LINCOLN. Thank you.

Senator QUAYLE. Mr. Robert B. Fay, the Associated General Contractors.

Mr. Fay.

STATEMENT OF ROBERT B. FAY, PRESIDENT, JOSEPH B. FAY CO., PITTSBURGH, PA., AND CHAIRMAN, MANPOWER AND TRAINING COMMITTEE, THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, ACCOMPANIED BY JOHN HEFFNER AND CHRIS ENGQUIST, ASSOCIATION STAFF

Mr. FAY. Yes, sir.

Senator QUAYLE. Who are the two gentlemen accompanying you?

Mr. FAY. Mr. Chris Engquist——

Senator QUAYLE. Engquist?

Mr. FAY. Engquist—and John Heffner. They are both AGC employment and service staff people.

Senator QUAYLE. OK, proceed.

Mr. FAY. My name is Robert Fay, and I am president of the Joseph B. Fay Co. of Pittsburgh, Pa. I am chairman of the Manpower and Training Committee of the Associated General Contractors of America. I appear today representing the association, and I am accompanied by John Heffner, and Chris Engquist, of the association's staff.

I request that the full text of my statement appear in the record, and I offer only a summary at this time.

At the very core of the productivity issue now facing us is the effectiveness and efficiency with which we train our workers. The AGC believes that construction craft training programs must address some very basic issues to insure a continuous supply of well-qualified workers.

We believe that instruction must follow a competency-based approach. This is to say that each individual being trained, regardless of age, race, or sex, should be allowed to progress through training at a rate commensurate with his or her demonstrated ability to perform, as opposed to length of time spent in training.

Second, the related instruction portion of craft training must be conducted at offsite locations. This insures a more formal and planned approach to training than does a purely onsite program designed to facilitate the completion of a project.

It is the AGC's position that construction industry training can make optimum use of existing resources and maximize the return on training investment only when integrated with our vocational education system.

I would like to elaborate on these points in order to draw together some of the components that I believe are essential in creating a more effective training system for the construction industry.

Our current training systems do not in all cases produce craft workers who meet the quality skill standards required on the job site. Within a competency-based approach to training, all skill achievement is certified by written and actual performance tests. By administering performance testing under simulated onsite conditions, ability to perform is documented before a worker reaches journeyman status.

Aside from establishing a more efficient vehicle for construction training in general, competency-based instruction provides a better means to facilitate the entry of females and minorities into the industry.

With certified skills attained over minimal periods of time, females and minorities present to the construction contractor a known manpower resource which is based on skills and not some arbitrary quota requirement established by the Federal Government. Having been evaluated against performance standards, such a manpower pool represents trained craft workers capable of functioning on a jobsite and seeing a project to completion. In conjunction with performance-based training, a primary aspect of AGC's training philosophy is offsite training.

An offsite training system is one in which the individual receives classroom and field training away from the jobsite. The training facility should provide a simulation of jobsite conditions for manipulative skills training and classrooms for training in the theoretical aspects of the trade.

This training system should include a logical and sequential system that allows apprentices or trainees to move from the classroom to the field training site and to the jobsite. They are thus provided with gradual and individual development, based on their abilities.

A modular training system is one in which there are shortterm units of training in specific skill area which, when combined with an offsite training system, provide several advantages over more traditional systems.

The utilization of an offsite modular training system enables an individual to learn quickly by providing an atmosphere where training is concentrated and there is less opportunity for distraction.

A modular system is also highly adaptable to market demands by allowing the individual to concentrate on skill areas he or she needs to know to be valuable to the employer. In addition, by training in modules, there is better utilization of training system resources. The overall impact is greater efficiency and effectiveness than is the case in traditional time-based systems.

Although there are several methods of funding this type of system, as there are for any training system, the initial costs are obviously expensive because of the facilities needed. However, in the long term, the cost of establishing a modular, offsite training system have proven to be significantly less with considerably greater benefit to the training program, the trainee and the industry.

AGC has developed training materials, including curricula for carpenter, bricklayer, cement mason, and millwright which are designed for use in a competency-based modular offsite system or are being modified for use in such systems.

The AGC model for unilateral trainee program standards, recently approved by the Bureau of Apprenticeship and Training, is also an example of a modular competency-based training approach which AGC is promoting among its noncollective bargaining contractors.

In terms of the Federal Government role with regard to modular competency-based training, AGC would like to see the Department of Labor and the Bureau of Apprenticeship and Training, BAT, actively promote the concept. In the past, AGC experienced some difficulty in registering performance-based training programs. However, during the past year, we have had a good deal of cooperation from the Bureau of Apprenticeship and Training and we would like this trend to continue.

The issue of the role of vocational education is also deeply involved in solving the training problems facing the construction industry. Because vocational education is not being adequately utilized, a large source of future manpower requirements for the construction industry currently lies virtually uptapped.

By utilizing performance-based instruction, the vocational educational system could produce apprentices or trainees who would be granted advanced standing based on an assessment of their prior training.

Since construction training and vocational education are both highly decentralized networks, the problem of communications has hindered prior cooperation. It is essential that working relationships at the local level be established. Leadership in this endeavor must be exerted at the national level, however, to produce an environment conducive to this cooperative effort. In any future legislation, it would be wise to give consideration to the promotion of cooperation between vocational education and apprenticeship and training for the construction industry.

AGC feels that construction training, with the exception of that done by vocational education in partnership with the industry, should be industry-operated as opposed to government-operated. This includes those programs operated jointly by management and labor, and those operated unilaterally by union or management.

Because it is the industry which depends most upon effective training programs, it should be the industry's responsibility to operate such programs. The role of the Federal Government in apprenticeship and training should be very limited. Areas where the Federal Government could be an asset to promotion of apprenticeship and training are support of proven competency-based programs, advice and assistance in affirmative action and the collection and distribution of manpower needs information.

In the area of affirmative action, the Federal Government has chosen the strategy of imposing arbitrary quotas for the inclusion of females and minorities in the construction industry. To the extent that the Department of Labor can establish a reasonable approach to affirmative action, apprenticeship and training can be enhanced. What the industry needs is qualified candidates, regardless of race, sex or national origin.

In the past, the Department of Labor, largely through the Comprehensive Employment and Training Act, CETA, has provided candidates that have not been adequately counseled, screened or oriented for participation in the construction industry. CETA seems to have incorporated so many poverty oriented prerequisites to participation that the program is almost useless as a training vehicle.

It is AGC's position that the problems in CETA are too large to be solved piecemeal and that a new approach is needed.

AGC has followed with interest recent statements on the Reagan administration attitude toward CETA. It appears that the current movement toward reducing CETA funds and redirecting existing funds to promote private-sector involvement in training are in line with the AGC policy that training is an industry, rather than government, function. If CETA or its replacement can provide better qualified candidates for meeting manpower requirements, its reason for being is more justified.

Another appropriate role for the Federal Government is supplying usable local manpower projections. This is particularly true as it relates to the new synthetic fuels industry. This means that the Government must clarify its position on the development of synthetic fuels. Once there is a clear-cut policy established, the Government must assist in the promotion of innovative approaches to training such as the modular performance based approach established and implemented by AGC.

I would like to thank you for the opportunity for appearing here before you; and if there are any questions, I will be glad to try to answer them.

Thank you.

[The prepared statement of Mr. Fay follows:]

STATEMENT OF
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

PRESENTED TO THE

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

of the

COMMITTEE ON LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

June 15, 1981

Oversight Hearings on Employment
and
Training Policy

AGC is:

- More than 30,000 firms including 8,400 of America's leading general contracting firms responsible for the employment of 3,400,000-plus employees;
- 113 chapters nationwide;
- More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utility facilities.

My name is Robert Fay and I am Executive Vice President of the Joseph B. Fay Company of Pittsburgh, Pennsylvania. I am Chairman of the Manpower and Training Committee of the Associated General Contractors of America. I appear today representing the association, and I am accompanied by John Heffner, and Chris Engquist, of the association's staff.

The Associated General Contractors of America and its 113 chapters nationwide is comprised of approximately 30,000 firms including 8,400 of the nation's leading general contracting companies that perform more than $100 billion of construction annually; our member firms employ some 3,400,000-plus workers, a significant portion of our national labor pool. It is with deep concern as to the continuing ability of that labor force to be productive that we are here today.

At the very core of the productivity issue now facing us is the effectiveness and efficiency with which we train our workers. The AGC believes that construction craft training programs must address some very basic issues to ensure a continuous supply of well-qualified workers.

We believe that instruction must follow a competency-based approach. This is to say that each individual being trained, regardless of age, race or sex, should be allowed to progress through training at a rate commensurate with his/her demonstrated ability to perform, as opposed to length of time spent in training.

Secondly, the related instruction portion of craft training must be conducted at offsite locations. This ensures a more formal and planned approach to training than does a purely on-site program designed to facilitate the completion of a project.

Training for the construction industry should be developed and managed by the industry. We feel that government's poor track record within the training arena speaks for itself. Our conceptions of industry managed training do not preclude a governmental role, but do restrict that role to its originally intended functions of encouragement rather than specific management.

It is the AGC's position that construction industry training can make optimum use of existing resources and maximize the return on training investment only when integrated with our vocational education system. Innovations such as the pre-planned joint utilization of physical training facilities and shared use of equipment and professional expertise are examples of how industry and public education facilities can blend their resources to the mutual benefit of all, including the trainee or apprentice.

I would like to elaborate on these points in order to draw together some of the components that I believe are essential in creating a more effective training system for the construction industry. The Manpower and Training Committee of the AGC has adopted as its mission "to foster, promote, develop and implement policies, procedures and programs in such manner as to develop an adequate supply of qualified workers in the most expeditious, economical and practicable manner."

The acceptance and utilization of competency-based training by the construction industry will serve to systematize an often disjointed training mechanism. Our current training systems do not in all cases produce craft workers who meet the quality skill standards required on the job site. Within a competency-based approach to training, all skill achievement is certified by written and actual performance tests. By administering performance testing under simulated on-site conditions, ability to perform is documented before a worker reaches journeyman status.

Based on Bureau of Labor Statistics estimates of 1980, the construction industry at large will require a total of 900,000 new craft workers by 1990, in addition to replacements for the 1.5 million vacancies that will be created through attrition. Present training programs deliver approximately 60,000 workers to our industry annually. It is obvious that present instructional systems cannot facilities these demands within this decade.

The economic advantages of implementing apprentice and trainee progression based on mastery of skills rather than blocks of time within competency-based programs are obvious. In terms of sheer numbers, shortened apprenticeship facilitates the training of significantly larger numbers of workers within shorter time spans.

It is the position of the Associated General Contractors that all construction trade training programs and trainees/apprentices would benefit from the adoption of a competency-based training approach. We believe this is as applicable to the collective bargaining segment of the industry as it is to the open shop area.

Aside from establishing a more efficient vehicle for construction training in general, competency-based instruction provides a better means to facilitate the entry of females and minorities into the industry. With certified skills attained over minimal periods of time, females and minorities present to the construction contractor a known manpower resource which is based on skills and not some arbitrary quota requirement established by the federal government. Having been evaluated against performance standards, such a manpower pool represents trained craft workers capable of functioning on a job site and seeing a project to completion. It also permits the varying rates of advancement necessary to maintain the enthusiasm of the slower-than-average and the faster-than-average trainee.

In conjunction with performance based training, a primary aspect of AGC's training philosophy is off-site training.

An off-site training system is one in which the individual receives classroom and field training away from the job-site. The training facility should provide a simulation of job site conditions for manipulative skills training and classrooms for training in the theoretical aspects of the trade. This training system should include a logical and sequential system that allows apprentices or trainees to move from the classroom to the field training site and to the job site. They are thus provided with gradual and individual development, based on their abilities.

A modular training system is one in which there are short term units of training in specific skill areas which, when combined with an off-site training system, provide several advantages over more traditional systems.

The utilization of an off-site modular training system enables an individual to learn quickly by providing an atmosphere where training is concentrated and there is less opportunity for distraction. Greater learning retention also results.

A modular system is also highly adaptable to market demands by allowing the individual to concentrate on skill areas he or she needs to know to be valuable to the employer. In addition, by training in modules, there is better utilization of training system resources. It allows apprentices, trainees, and instructors to measure progress based on competencies demonstrated in specific skill modules.

The overall impact is greater efficiency and effectiveness than is the case in traditional time based systems.

The modular system is based upon an individual developing minimum productivity levels within reasonable periods of training. The individual is working and learning simultaneously while earning a wage commensurate with his or her value, meaning that the overall cost to the employer or the ultimate consumer does not increase out of proportion to the abilities of the apprentice or trainee. Since the relative lower productivity of the apprentice/trainee is frequently given as a reason for not employing more of them, an improvement in the numbers of apprentices and trainees employed can be a result of adopting to a modular off-site training system.

Before finishing with this topic a word should be said about the cost of modular off-site training systems. Although there are several methods of funding this type of system, as there are for any training system, the initial costs are obviously expensive because of the facilities needed. However, in the long term, the cost of establishing a modular, off-site training system have proven to be significantly less with considerably greater benefit to the training program, the trainee and the industry.

At today's wage levels, whether you are talking about union or non-union wages, it is simply too expensive to have journeymen spend a large portion of their time trying to teach the rudiments of a craft skill to apprentices or trainees on the job. That is why utmost consideration of modular off-site training should be given by anyone establishing training programs for the construction industry. Modular off-site training is not just a theory. It is being utilized in St. Louis, Portland and throughout the country in both the union and non-union sectors of the construction industry, and its use is growing.

AGC has developed training materials, including curricula for carpenter, bricklayer, cement mason, and millwright which are designed for use in a competency-based modular off-site system or are being modified for use in such systems. In addition, AGC has supported the development of performance-based training materials in the union sector of the industry. The training system entitled the Performance Evaluated Training System, or PETS, utilized by the International Brotherhood of Carpenters, is a successful example of this support.

The AGC Model for Unilateral Trainee Program Standards, recently approved by the Bureau of Apprenticeship and Training, is also an example of a modular competency-based training approach which AGC is promoting among its non-collective bargaining contractors.

In terms of the federal government role with regard to modular competency-based training, AGC would like to see the Department of Labor and the Bureau of Apprenticeship and Training (BAT) actively promote the concept. In the past, AGC experienced some difficulty in registering performance based training programs. However, during the past year we have had a good deal of cooperation from the Bureau of Apprenticeship and Training and we would like this trend to continue.

The issue of the role of vocational education is also deeply involved in solving the training problems facing the construction industry. Because vocational education is not being adequately utilized, a large source of future manpower requirements for the construction industry currently lies virtually untapped. There seems, today, to exist a chasm between our industry and the vocational education system, which the AGC and many educators are attempting to bridge. The benefits of each system, if coordinated, can add up to much more than exists when each system operates independently. Utilized together, this nation's skill shortages can be reduced.

The apprenticeship community sees vocational education as a force that can, through pre-training, pre-apprenticeship and screening functions, produce well prepared candidates. By utilizing performance-based instruction, the vocational educational system could produce apprentices or trainees who would be granted advanced standing based on an assessment of their prior training.

Since construction training and vocational education are both highly decentralized networks, the problem of communications has hindered prior cooperation. It is essential that working relationships at the local level be established. Leadership in this endeavor must be exerted at the national level, however, to produce an environment conducive to this cooperative effort. In any future legislation, it would be wise to give consideration to the promotion of cooperation between vocational education and apprenticeship and training for the construction industry.

AGC feels that construction training, with the exception of that done by vocational education in partnership with the industry, should be industry-operated as opposed to government-operated. This includes those programs operated jointly, by union and management, and those operated unilaterally by union or management.

The primary piece of legislation which pertains to apprenticeship and training is the Fitzgerald (Apprenticeship) Act of 1937. This very brief Act uses words such as "cooperative", "promote" and "encourage". Noticeably absent are words such as certify, establish, replace or manage. As in so many other areas, the role of government in apprenticeship has evolved beyond the intentions of those who drafted the original legislation.

Because it is the industry which depends most upon effective training programs, it should be the industry's responsibility to operate such programs. The role of the Federal government in apprenticeship and training should be very limited. Areas where the Federal government could be an asset to promotion of apprenticeship and training are support of proven competency-based programs, advice and assistance in affirmative action and the collection and distribution of manpower needs information.

Currently the Federal government is more of a detriment than an asset.

In the area of affirmative action, the Federal government has chosen the strategy of imposing arbitrary quotas for the inclusion of females and minorities in the construction industry. Because workers entering the industry do so through apprenticeship and training programs the impact of government action on those programs has been disruptive. The strategy has served to alienate the industry and has not been effective in significantly increasing either opportunities or employment of females and minorities. AGC's position is that affirmative action as enforced by the Department of Labor goes well beyond the spirit of equal opportunity. To the extent that the Department of Labor can establish a reasonable approach to affirmative action, apprenticeship and training can be enhanced. What the industry needs is qualified candidates regardless of race, sex or national origin.

In the past the Department of Labor, largely through the Comprehensive Employment and Training Act (CETA), has provided candidates that have not been adequately counseled, screened or oriented for participation in the construction industry. CETA seems to have incorporated so many poverty-oriented prerequisites to participation that the program is almost useless as a training vehicle. It is AGC's position that the problems in CETA are too large to be solved piecemeal and that a new approach is needed. AGC has followed with interest recent statements on the Reagan Administration attitude toward CETA. It appears that the current movement toward reducing funds for CETA and redirecting existing funds to promote private sector involvement in training are in line with the AGC policy that training is an industry, rather than government, function. If CETA or its replacement can provide better qualified candidates for meeting manpower requirements, its reason for being is more justifiable.

Another appropriate role for the Federal government is supplying usable local manpower projections. This is particularly true as it relates to the new synthetic fuels industry. This means that the government must clarify its position on the development of synthetic fuels. Once there is a clear cut policy established, the government must assist in the promotion of innovative approaches to training such as the modular performance based approach established and implemented by AGC. During 1975, AGC developed specific steps which needed to be undertaken to meet the projected manpower needs of Project Independence. Given the current climate for synthetic fuel development, these steps are worth a second look. They are as follows:

1. Refine its energy and energy-generated construction plans so as to identify individual construction projects by facility type, size, timetable, and specific geographic location. The latter must be more finite than merely, "West of the Mississippi."
2. Develop a model to determine the approximate number of workmen needed by trade for a given facility type, construction system timetable, and size.
3. Develop a model to determine the approximate number of workmen available by trade, geographic area, and timetable.
4. Should the algebraic sum derived from applications of these models project a manpower deificency in one or more trades for a given project and geographic area, then:
   - A. Determine the specific skills of any such trades required by the project.
   - B. Ascertain the quantity and timetable requirements for developing these skills.
   - C. Establish in the project vicinity an off-site academic and manipulative training center for the identified skills.
   - D. Create the center with a simulated construction site environment.
   - E. Establish performance objectives which the apprentice/trainee must meet prior to his release for on-site work and experience.
   - F. Provide on-site employment experience in the skills trained so as to achieve proficiency and productivity.

G. Advance the apprentice/trainee monetarily in accordance with his achievement of skill performance.

H. Certify the workman in the specific skills for which he has successfully met the minimum performance standards.

I. Provide for automatic accreditation and acceptance by any trade for those certified skills which are a part of such trade in any given area.

5. Modify standards and regulations so as to cause the above provisions to become a reality.

We submit such a process would produce a qualified and productive worker, where and when needed, at a production/cost ratio equivalent to a qualified tradesman. It would provide the worker with a salable skill from which he/she can further his/her employability by subsequent additional training in the remaining skills required of a qualified tradesman in a given area. Simultaneously, it would significantly contribute to the development of an adequate supply of qualified workers for one of the largest and most vital industries of our economy.

In summary, the following points, taken from AGC's Master Training Concept for the Construction Industry, represent our views relative to creating an effective and expedient training system designed to facilitate increased training and worker productivity, while optimizing accessibility to construction skills for all Americans.

1. The overall objective must be the development of a training system which will provide an adequate supply of qualified workers.
2. Apprentice programs must be available to all areas.
3. Entry into a program must be possible from all societal levels and sectors.

4. Basic (non-worksite) training should be a requisite to onsite employment.
5. Entrance criteria reflecting aptitude and educational achievement level sufficient to progress in a realistic training program must be utilized.
6. Apprenticeship and upgrading training must be primarily concerned with development of a salable skill.
7. Training must be relative to, and commensurate with, the skills required in today's marketplace.
8. Off-site training must be relevant and timely with on-site experiences.
9. Training time frames must be commensurate with the training imparted and the individual's ability to progress.
10. Accelerated entrance and advancement in apprenticeship and training programs must be permitted on the basis of performance testing.
11. The training system must utilize today's educational and communicative technology, media, and methodology.
12. Multi-craft apprentice and training centers simulating a construction site environment should be utilized. Establishment and use of these centers must be predicated on the premise of off-site academic and manipulative training with a controlled environment, and on-site experiences for development of proficiency and productivity.
13. Labor organizations must be permitted to refuse dispatch of a craftsman who is not certified for the specific skills required.
14. Employers must be permitted to refuse employment of a worker not certified for the specific skill required.

15. Existing journeymen must become certified in all required skills of an occupation for a given area to be eligible for master craftsman status.

16. Local sponsors must be precluded from imposing requirements in local standards which deter, either in spirit or in fact, the basic philosophy and objectives set forth in the national standards.

17. Local standards must set forth the criteria which constitutes a salable skill in a given area so as to establish eligibility of program certification.

18. Standards must not provide a maximum eligibility age. Minimum age should be sixteen or as required by State or Federal law.

19. National apprenticeship and training standards should:

    A. Determine what minimum subskills are a prerequisite for certification of a given skill training program, and

    B. Provide universally validated performance testing, criteria and system.

20. Performance criteria must include scope, and quality.

21. Accreditation reciprocity must prevail between training programs so as to permit enrollees in apprenticeship and training programs to move from one area to another with full credit.

22. Uniform subskills and reciprocity for same must be provided so as to permit an apprentice to change his/her selected skill occupation and retain credit for that portion of completed training which is common to the newly-selected skill or occupation.

23. Standards should provide the minimum criteria for qualified training personnel.

Attached to this written statement are the following documents which we request be included for the record:

#1. Proposed Master Training Concept for the Construction Industry

#2. Employment and Earnings, Bureau of Labor Statistics, March 1980, p. 58

#3. Unilateral Trainee Program Guidelines and Standards

#4. AGC Competency-Based Bricklaying Training Program

#5. AGC Competency-Based Cement Mason Training Program

#6. AGC Executive Vice President Beatty's May 6, 1980 letter to Secretary of Labor Marshall

#7. AGC Executive Vice President Beatty's June 5, 1981 letter to Secretary of Labor Donovan

These documents provide a factual basis for AGC's policy positions as enunciated in our statement.

(Note: In the interest of economy, exhibits #1, #3, #4, and #5 were retained in the files of the committee where they will be available for research upon request.)

#2.

Profile - Construction Industry

Based on a 1979 figures published by the Bureau of Labor Statistics the construction Industry represents 10% of the U.S. Gross National Product.

The industry employs approximately 5 million people representing 5% of the total U.S. work force and 25% of the nation's skilled work force.

The data below shows the average construction employment by industry subdivision during 1979.

	1979 Employment (in '000)
Construction Total	4,644
General Building Contractors	1,318.4
Residential building construction	690.7
Operative builders	84.0
Nonresidential building construction	543.6
Heavy Construction Contractors	897.8
Highway and street construction	289.7
Heavy construction, except highway	608.2
Special Trade Contractors	2,427.7
Plumbing, heating, air conditioning	344.5
Painting, paper hanging, decorating	137.4
Electrical work	408.7
Masonry, stonework, and plastering	410.0
Carpentering and flooring	151.0
Roofing and sheet metal work	179.3

Source: Bureau of Labor Statistics (BLS) Employment and Earnings, March 1980, p. 58

During the decade of the 1980's the Bureau of Labor Statistics estimates that about 900,000 new jobs will be created for construction craft workers. (see table on projected growth below). In addition, about 1.5 million vacancies will occur by workers leaving the industry due to retirement, transfer to other industries, etc. That means a total of 2.4 million new construction craftspersons will be needed by 1990.

Selected trades	Estimated employment 1978	Projected employment 1990	Percent change	Average annual openings to 1990
Bricklayers, stone masons and marble-setters	205,000	220,000	7.3	1,200
Carpenters	1,253,000	1,390,000	10.9	58,000
Cement masons and terrazzo workers	83,000	110,000	32.5	4,400
Laborers	860,000	970,000	12.8	49,000
Electricians	290,000	350,000	20.7	12,900

Floor covering installers	88,000	110,000	25.0	3,200
Glaziers	19,000	25,000	31.6	1,000
Insulation workers	51,000	65,000	27.5	N.A.
Iron workers	78,000	104,000	33.3	4,100
Operating engineers	581,000	820,000	41.1	36,000
Painters	484,000	550,000	13.6	26,000
Paperhangers	20,000	22,000	10.0	1,300
Plasterers	28,000	30,000	7.1	1,100
Plumbers and pipefitters	428,000	513,000	19.9	20,000
Roofers	114,000	140,000	22.8	4,300
Sheet metal workers	70,000	90,000	28.6	3,300
Tile setters	33,000	45,000	36.4	1,800
Total	4,683,000	5,554,000		

The value of new construction put in place rose to about $240 billion at the end of 1979. Open shop construction did 60% of the work or $144 billion.

Based on figures from Fortune Magazine (June 4, 1979) and sources at the National Association of Homebuilders the volume put in place in the Homebuilding Industry is about $65 billion in 1979. Open shop construction did 85% or $55.25 billion of the total amount. Therefore the open shop segment of the industry did about 51% of the non-residential construction during 1979.

Relative to training, present programs are graduating only an average of 60,000 people per year. Based on BLS statistics needs exist for 2.4 million craftspersons by 1990. If the present rate of training is maintained over the next 10 years an insufficient number of construction tradespeople (600,000) will result. There exists a need to entice more people into the construction trades and provide them with meaningful and relatively quick training.

#6

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

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HUBERT BEATTY, Executive Director

May 6, 1980

The Honorable F. Ray Marshall
Secretary of Labor
U. S. Department of Labor
200 Constitution Avenue
Washington, D.C. 20210

Dear Secretary Marshall:

So that you will better understand the Associated General Contractors of America's (AGC) recommendation to Congress that it not fund the Office of Federal Contract Compliance Programs (OFCCP) promulgation or enforcement of goals, quotas or timetables for women in construction until such time as the apprenticeship system is producing the requisite numbers of female craftpersons to meet OFCCP goals for women in construction, we provide the following information which includes some additional recommendations.

In a March 14, 1980 letter to OFCCP, AGC commented at length on OFCCP proposed changes to 41 CFR Part 60. AGC also suggested that OFCCP take pause and carefully assess its compliance program for construction. We made observations then that by the unrelenting stream of proposed new regulations, rules and program revisions OFCCP had placed too much emphasis on enforcement, and had forced the industry as a whole to concentrate on coping with regulatory overkill, rather than on the prime objective - affirmative action. AGC made the same observations in our subsequent meeting with Mr. Elisburg, Mr. Rougeau and their staff on April 7, 1980. We take this opportunity to reiterate our position and to make some recommendations.

Despite AGC's vigorous disagreement with OFCCP's "goals" of 3.1 percent, 5.0 percent and 6.9 percent and OFCCP's questionable assessment of the availability of women to the industry, our objective was and is affirmative action. AGC labored over 18 months to obtain BAT approval of training programs through which those "goals" might be made more realistically approached. AGC is moving as quickly as possible to implement these programs.

THE FULL SERVICE CONSTRUCTION ASSOCIATION FOR FULL SERVICE MEMBERS

In the interim we believe recent BAT statistics have confirmed AGC's original prediction about the availability of women to construction and the speed with which they can be placed in training and on the job. Only 3,414 women were registered construction apprentices at the beginning of 1979 and only too few women are now at work in construction. Whether one subscribes to AGC's computation which shows a need to have 235,000 women on the job by March 31, 1981 to meet the 6.9 percent goals, or accepts OFCCP's view that a lesser but indeterminate number of women is required, it is obvious to all including OFCCP that construction can not be in compliance with OFCCP goals this year or next. We remind you that as recently as February 5, 1980, at a hearing of the House Labor-HEW Appropriations Subcommittee, Chairman Natcher asked, "Are adequate numbers of trained female workers available and willing to enter construction work?" Mr. Rougeau replied, "Overall, no, not to meet all of our nationwide goals in every craft throughout the nation. We have known this for a long time." Yet, OFCCP holds steadfast to the position that it will review 1200 construction contractors during Fiscal Year 1980 with the expectation that goals for females be met. We believe such a policy is unrealistic and untenable.

AGC has repeatedly asked OFCCP to do the research needed to put in place goals that reflect the realities of the situation. Our concerns were voiced prior to implementation of the goals for women in May, 1978 and were ignored. We have expressed our concerns since that date. Again, to no avail. AGC and members of Congress have been advised repeatedly that the Secretary of Labor has the power to revise the goals downward or upward when conditions warrant. We believe the time is at hand for the Secretary to initiate the revision of the goals.

Accordingly AGC asks OFCCP to do the following, and to work with AGC, to create a more realistic compliance structure for construction:

1. OFCCP should hold in abeyance implementation of proposed rule 7q and other regulations designed to increase OFCCP jurisdiction over construction contractors. Given the lack of women available to the industry, we believe that it is ill-advised to extend requirements within the contractor's workforce when present goals are impossible of attainment. Further, we believe this action to be required based upon the admissions by your staff that rule 7q and others were not clearly presented to the public when issued in proposed form. We believe the public and the construction industry should have an opportunity to comment on the likes of 7q, the coverage of non-craft construction personnel, and other regulations with the full background as to OFCCP purpose and intended mode of implementation. An after-the-fact explanation published with the final rule will not benefit the OFCCP, women or the construction industry.

2. OFCCP should immediately initiate the research necessary to establish validly set goals for women (and minorities). Last summer, as part of the now defunct OFCCP Working Committee, AGC made this suggestion. We again made the suggestion in a letter to OFCCP, dated November 6, 1979 when we commented on proposed minority goals. Unfortunately, to date, the recommendation has been ignored.

AGC believes that until the research is initiated and until the goals are validly drawn, the subject of goals will properly remain an area of contention. Despite representations to the contrary, contractors are reviewed by OFCCP field staff with the absolute expectation that the goals be met. We believe it is unfair to require contractors to meet goals when OFCCP has admitted they can not be met. It is unfair to require burdensome paper exercises as well.

We also remind you that by current DOL admissions the goals were basically reached in trying to settle litigation that had been filed against DOL by several women's organizations and were based on unreliable data. Such a situation compels the development of validated goals to replace what presently exist as arbitrary, unrealistic goals.

We attach for your review our previous recommendation to OFCCP in a memo dated August 29, 1979 for statistics to be developed as a component in the establishment of valid goals.

3. OFCCP should voluntarily suspend the goals and timetables until the goals are validated. It is ludicrous to enforce a regulation that can not be complied with. It is unfair to penalize anyone for failure to comply with arbitrary goals, especially when enforced as though they are quotas.

4. OFCCP should define its meaning of "good faith". AGC understands that DOL has discussed with Congressman Perkins, Chairman, House Education and Labor Committee, OFCCP implementation of the women's goals program for construction and that DOL has assured him that no contractor will be penalized if he can show "good faith". Despite the assurances to Congressman Perkins, AGC feels that a more definite measure or standard of good faith than the 16 affirmative action steps must be developed. We reiterate, that at the national level we have never heard an inconsistent statement regarding the meaning of good faith, but at the local level the field staff implements their own subjective measure of "good faith". We believe a more precise measure of "good faith" must be defined and implemented in the compliance reviews. At present the standard is too vague and too arbitrary.

AGC wishes to work with OFCCP to develop an effective affirmative action program for construction. We believe that is must begin with the above. AGC recommends that these actions be taken immediately.

Sincerely,

H Beatty

Hubert Beatty
Executive Director

cc: Honorable Carl D. Perkins
Honorable William H. Natcher
Members, House Labor-HEW
Appropriations Subcommittee

Enclosure

#7.

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

1957 E Street, N.W. • Washington, D.C. 20006 • (202) 393-2040 • TWX: 710-822-9406 AGC WSH

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RICHARD S. PEPPER, Vice President
E.W. McKENZIE, Treasurer
HUBERT BEATTY, Executive Vice President

June 5, 1981

The Honorable Raymond J. Donovan
Secretary of Labor
Department of Labor
200 Constitution Avenue, N.W.
Washington, D. C. 20210

Dear Mr. Secretary:

On May 11, 1981, the Associated General Contractors of America (AGC) participated in a briefing at the U. S. Department of Labor (DOL) concerning its proposed changes to the Office of Federal Contract Compliance Programs (OFCCP) rules. Attendees were requested to provide comments and recommendations regarding the proposed rule changes. We appreciate your willingness to consult with employers who are directly impacted by OFCCP.

After careful review of the tentative DOL proposals to amend OFCCP rules, it is AGC's overwhelming concern that modifications as currently envisioned do not go far enough toward solving the problems that confront federally-involved employers, and construction contractors in particular. Those who must comply with the morass of rules and procedures administered by the OFCCP will not be greatly assisted by the proposed rule changes. At best the changes may eliminate a few paper work requirements for a handful of contractors who would fall below any of the proposed thresholds. Amending the rules would essentially leave intact a punitive negative system that inflates costs, produces reams of worthless paper, and does nothing to create job opportunities for the individuals it seeks to protect.

It is AGC's contention that the affirmative action objective behind Executive Order 11246 has been unlawfully distorted by the arbitrary application of rules and practices which emphasize enforcement and which far exceed the bounds of authority delegated to OFCCP. As an alternate to the administration's proposals to amend OFCCP rules, AGC urges the Secretary to develop a new executive order to replace Executive Order 11246 and the unlawful arbitrary enforcement mechanism that has resulted thereunder.

AGC's recommendation for a new executive order is based upon careful analysis of the negative thrust of Executive Order 11246 and the application of its implementing rules which have culminated in an unconstitutional punitive enforcement program.

AGC and its 8,500 members are committed to a positive effective affirmative action program. Toward that end, the AGC has throughout the years attempted to work with the OFCCP to create such an environment and program for construction. For example, in recognition of the inherent difficulties that arise when compliance obligations are dispersed throughout many contracting agencies, AGC supported the consolidation of compliance authority in one agency, the OFCCP. It had been AGC's hope that central administration of the program would better enable the government to work with each industry to achieve affirmative action. Instead, AGC has observed the development of OFCCP's punitive enforcement mechanism. In fact, the effectiveness and success of the current program has been measured by the past director of OFCCP in terms of the number of back pay awards (11 million dollars), contractor debarments, and conciliation agreements achieved after the consolidation. The past Director stated the record speaks for itself...enforcement has been the name of the game, not affirmative action. Ironically, the Director has never compiled or released statistics which indicate the number of women and minorities who have been able to find jobs because of the current OFCCP emphasis.

OFCCP's "mind-set" has precluded adoption of any positive comments from construction or other industries that would result in an effective affirmative action program. For example, OFCCP has imposed upon construction a set of nationwide goals for employment of women in construction. Currently the on-site goals is 6.9% for each and every craft.

In 1977 OFCCP first proposed the goals for women as 3.1% initially, then 5.0% and 6.9% in the second and third years. This was said to be based upon census data and other OFCCP research. However, AGC research which included data obtained from all construction trade unions indicated there was 0.1% female participation in on-site construction. This should have compelled a more realistic set of goals. AGC maintained that the 6.9% goal was so excessive that it was not capable of achievement and that lower goals should be established.

AGC outlined, in good faith, the problem for OFCCP. However, on April 7, 1978, OFCCP published its goals as OFCCP originally proposed.

It was not until February 5, 1980 that the Director of OFCCP admitted before the House Labor-HEW (now Labor-HHS) Appropriations Subcommittee that "the goals in the construction program are goals which we admit are not necessarily based on hard data which has been obtained by the Department or any other group." The Director also admitted the goals were "really a figure that we reached in trying to settle the litigation that had been filed against us by several women's organizations." Finally, and in response to a question as to whether there are adequate numbers of trained female workers available and willing to enter construction it was stated that "overall, no, not to meet all of our nationwide goals in every craft throughout the nation. We have known this for a long time." (Emphasis added). It is apparent that such a goals system is neither oriented toward affirmative action, nor was it established in "good faith." Such a method of "goals" setting cannot withstand judicial scrutiny and is clearly unconstitutional.

After a comprehensive analysis of all OFCCP rules and practices, it becomes apparent that one rule adopted in bad faith taints the entire system of OFCCP regulations and practices.

The entire compliance program for construction supposedly functions on the theory that if a contractor undertakes enough good faith efforts the contractor will achieve its goals. The cruel irony for construction contractors and members of minority and women's groups is that OFCCP knows and has known that its construction goals can not be met.

OFCCP has counted its success by the number of conciliation agreements that are signed. These provide for "make-up goals" which simply confirm a quota program, at even higher levels. Make-up goals on top of existing goals only make compliance even more impossible.

It is AGC's view that the OFCCP program and its rules and practices are replete with abuses similar to the above. In reality, the only means to wipe the slate clean of these unlawful rules and practices is to issue a new executive order, replacing Executive Order 11246.

AGC suggests that a new executive order specifically focus upon practical affirmative action and eliminate all vestiges which encourage use of an enforcement program. Such an approach has the benefit of offering to interested parties a positive rather than a negative program. Such an executive order would concentrate on the creation of job opportunities, education and skills training, as opposed to back-pay, make-up quotas, conciliation agreements and debarments. Employers, AGC contractor members, are committed to a program that concentrates on putting people to work, as opposed to understanding the fine print of regulations and procedures. We believe that these more practical objectives are shared by the Administration.

AGC recognizes the complicated and sensitive nature of any proposed change to the affirmative action program. The administration is, of course, confronted with the need to address the "midnight regulations" as promulgated by the previous administration on December 30, 1980 and to eliminate wasteful, costly and unproductive regulations. AGC recommends that the Secretary withdraw the package of "midnight regulations" which are now scheduled to go into effect on June 29, 1981. That action should be followed by a comprehensive review of the current program with the objective of developing a new framework for affirmative action.

A small group of AGC representatives would like to meet with your staff to outline additional specific points of OFCCP abuse and to detail a possible approach to a positive program under a new executive order.

We look forward to working with you.

Sincerely,

Hubert Beatty

Hubert Beatty
Executive Vice President

cc: T. Timothy Ryan, Solicitor of Labor

Senator **Quayle**. Thank you very much.

As I understand your position, it is basically that the Government should neither really run the training programs nor fund it; that its role should be basically to promotional activities or statistical information such as manpower shortages; is that basically correct?

Mr. **Fay**. That is basically correct.

Realize that we in the union sector, our industry has the highest number of participating apprenticeship programs, which are all sponsored by the industry. We pay the bill ourselves.

Senator **Quayle**. On page 9, you talk about moving away from the CETA program into having training as an industry function.

Now, in your industry, as far as you are concerned, the CETA has been a failure, correct? The people—I think you said in your testimony that the people that they trained were really ill-trained and you had to do it all over again?

Mr. **Fay**. In general that is correct.

Senator **Quayle**. So—from your viewpoint, the CETA program, as it is presently run, has not been of any benefit to training personnel or providing opportunities to people that would not have had it; is that basically it?

Mr. **Fay**. We do not feel that the benefit has been equal to the cost.

There are certainly some programs that have been cost-effective, and we have received qualified people from them. Our problem is, though, in many areas, we have seen programs where the local municipal governments have CETA grants. What they are doing is actually construction work that should be bid by the private sector. When the money is gone, the people are gone, and they have never received 1 hour of real training, so they do not become assimilated in our work force and all that is happening is work that should have been done by the private sector has been done by local government agencies and there has been no benefit from either side, basically.

Senator **Quayle**. Do you have some specific examples of where CETA employees have actually done work that you think should have been done by the private sector and did not?

Mr. **Fay**. I have seen them personally, but we will certainly give you a list of many areas where that has happened.

Senator **Quayle**. I would like to have that for the record, from your viewpoint, specific examples of where work has been done by Government CETA workers that it really should have been bid out to contractors.

Mr. **Fay**. We will see that you get that.

Senator **Quayle**. I certainly would appreciate that.

[The following was received for the record:]

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THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

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THOMAS E. DAILEY, *President* H. C. HELDENFELS, *Senior Vice President* RICHARD S. PEPPER, *Vice President*

E.W. McKENZIE, *Treasurer* HUBERT BEATTY, *Executive Vice President*

August 31, 1981

The Honorable Dan Quayle
Chairman Subcommittee on Employment
and Productivity
Committee on Labor and Human Resources
4230 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

On June 15, 1981 AGC general contractor Robert Fay testified before the Subcommittee on Employment and Productivity on matters relating to construction industry training. During that testimony the topic of CETA was discussed, and you requested that AGC provide you with examples of CETA abuses. In response to that request an example is inclosed.

AGC appreciates the opportunity to present its positions on employment and training issues to your subcommittee, and would welcome any future opportunity to do so again.

Sincerely,

Chris Engquist

Christopher Engquist
Assistant Director
Manpower and Training Services

Enclosure
cc: Ingrid Voorhees
CE:tnw

THE FULL SERVICE CONSTRUCTION ASSOCIATION FOR FULL SERVICE MEMBERS

AUG 3 1981

GENERAL BUILDING CONTRACTORS
THE NEW YORK STATE BUILDING CHAPTER
ASSOCIATED GENERAL CONTRACTORS OF AMERICA

July 30, 1981

Mr. Engquist
Assistant Director
Manpower & Training Services
AGC of America, Inc.
1957 E Street, N. W.
Washington, D. C. 20006

Dear Mr. Engquist:

In response to the call for information on CETA activities in this State, we provide a brief synopsis of the CETA activity at Potsdam, New York (ENR, October 23, 1980).

In cooperation with the New York State Chapter, AGC, we adopted certain positions in respect to the proposed use of CETA employees by the Village of Potsdam in reconstructing its water facilities. After discussions with David Johnston, AGC, we sought adherence by the Village to the terms of this State's Labor Law which requires dispensation if employ of workmen under 18 years of age is contemplated. The statute also requires payment of prevailing wages and fringes on public work. In addition, we discussed the manner in which the work was to be accomplished with Rist-Frost Associates, the consultant of record. As time went on, the Village adopted a scheme whereby the CETA employees would be added to its forces (to avoid payment of prevailing wages) with the intent to isolate these employees from those of the construction contractors who were to accomplish the major work at Potsdam. The plans and specifications for construction of the major work included a so-called "dam safety" element. This work was to be accomplished by a private contractor to accommodate the work of the CETA employees. In short, to get at the dam surfaces, a dewatering complex was constructed. After some back-and-forth between this Association and Rist-Frost which resulted in modifications to the bid documents for the work to be contracted out, bids were taken. Member Visconti was awarded the water treatment plant for $3-1/2 million. Member Schickel was awarded the dam safety element for a quarter of a million dollars. Although combined bids were solicited, the separate bids on the two elements when combined produced the lowest price.

Twenty-two CETA employees are engaged in the work on the dam face. Initially 24 were involved. Two were discharged for disciplinary reasons. The CETA forces are directed on-site by a carpenter foreman and a labor foreman drawn from the building trades resident in St. Lawrence County. As we understand it, this arrangement resulted from negotiations between the trades and the Village undertaken well before the two AGC Chapters made official representations in respect to the Potsdam project.

The Village officials involved in this project are satisfied with the performance of the CETA employees and with the arrangement in general. However, they indicate CETA funds will run out on December 1. The Village now seeks funds elsewhere to complete the work on the dam.

Other experiences with CETA, especially in the Westchester-Mid-Hudson area were related to AGC Staff early on. Our principal complaint was, of course, utilization of CETA forces to construct public works without application of the provisions of statutes which apply to contract construction. Of especial interest to us was the direct hire of our tradesmen to "complement" the CETA forces. The Westchester projects involved the hire of unemployed building tradesmen who were then paid prevailing wages. The CETA employees were paid minimum wage.

Should you desire additional information on the Potsdam project, please let us know.

Sincerely,

Paul B. Richards
Managing Director

cc: Officers
Counsel

Senator **Quayle**. As a summary, you really feel, as far as the training aspect of the Federal role, it should be nonexistent? Would that apply across the board, or are you speaking just basically for your industry?

What I am trying to get to is the role of the Federal Government in training.

Mr. **Fay**. Well, your role has to be to try to help us sponsor and use innovative processes. For too many years we have been chained to a time-oriented program, and this does not work. We need our competency-based programs, with no regard to time. Let the person proceed at his own pace.

The important thing in our industry is to bring people in, whether they are disadvantaged or wherever they come from and whatever race or color they happen to be. We have to get them first of all trained in a salable skill so when they come on our job site, they have a skill that is commensurate with the level of pay that we are going to pay them, so that they will be productive and the big word with us is a constant unit cost for our work, whatever the unit happens to be. So in that respect, now, the Government can help us in screening processes; they can help us by not just giving us arbitrary quotas and we expect to see this many faces on the job; help us get the people there who we can train and give a salable skill and from there they will have upward mobility and become a viable part of our work force. That is what we need to have the Government help us do.

Senator **Quayle**. Have the Government give you the bodies and you will train them?

Mr. **Fay**. No, do not just give us bodies, but help us in screening so that we get bodies who are going to be adaptable and usable in our industry and also help us get away from this old time-oriented apprenticeship concept.

Senator **Quayle**. I certainly appreciate your coming. As we proceed, I hope that you will stay in communication with us as we continue our review.

Mr. **Fay**. We will certainly do that, and, again, thank you for the opportunity to be here.

Senator **Quayle**. Thank you.

Samuel J. Hebdo.

Go ahead and proceed.

STATEMENT OF SAMUEL J. HEBDO, EXECUTIVE DIRECTOR, CENTRAL OHIO CHAPTER, ASSOCIATED BUILDERS & CONTRACTORS, INC., CENTRAL OHIO CHAPTER, COLUMBUS, OHIO, ACCOMPANIED BY JOHN REED, DIRECTOR, GOVERNMENTAL RELATIONS DEPARTMENT, WASHINGTON, D.C.

Mr. **Hebdo**. Mr. Chairman, members of the subcommittee, my name is Samuel J. Hebdo, and I am executive director of the Central Ohio Chapter of the Associated Builders & Contractors, Inc. [ABC]. I am accompanied today by John Reed, who is the director of our Governmental Relations Department here in Washington, D.C.

First, Mr. Chairman, I would like to commend you and the other members of the subcommittee for holding these hearings on employment and training issues. ABC feels it is important to critically examine our Government's past performance in this area, and I greatly appreciate the opportunity to testify in this regard.

I am speaking today not only on behalf of ABC's 16,000 construction industry contractors, subcontractors, and suppliers nationwide, but also for the over 170 formerly unemployed participants involved in the title VII CETA program I directed in the central Ohio area.

ABC of central Ohio has conducted federally approved apprenticeship programs for the past 12 years. Because of our record for serving the people over the years, many community agencies and organizations such as the Community Action Agencies of Ohio, the Bureau of Vocational Rehabilitation, the work incentive program, hands on, the Urban League, and others have sought our help over the years to train and employ the unemployed.

During the past 12 years, when the local unions were forced to cancel various union apprenticeship programs because of lack of work, they sent me many of their apprentices for employment with our members. Because of the continuing support ABC and I have given to this cause over the years, the CETA Private Industry Council [PIC], staff, urged me to develop and implement a private sector initiative program [PSIP], for them.

My first instinct was to refuse because of the complaints I had heard over the years from other program operators about the horrendous amount of paperwork, recordkeeping, and regulatory problems encountered in the administration of a CETA program. However, I was assured that the CETA title VII program was a brandnew approach and was much simpler to implement and enforce. Unfortunately, I believed them, and I accepted the challenge to better serve my fellow man.

We were successful in the competitive process and received funding of $1.4 million to start our program for fiscal year 1980. At the end of the first year, we had been successful in placing more people on unsubsidized employment than any other CETA program in the State, and this was during the worst recessionary period our State had seen in the last 30 years. Over 58 percent of our program participants were eventually placed in unsubsidized private-sector employment. This figure compares with a national average of 41 percent and a State average of 25 percent for programs similar to ours which serve the rural areas of the State. We accomplished this and returned $228,158 to the State in unused funds.

More than from the numbers themselves, I took satisfaction from knowing that we had enriched the lives of each and every person who had spent a week or more with us before leaving the program for various reasons. Young people desperately in need of a job skill, some of whom didn't even know what a job was, were given the chance to learn a skill.

I witnessed alcoholics on the road to health trying to set themselves on a new path of life; exconvicts who had been condemned by their fellow man and refused employment because of their past records were turned completely around. I saw disabled vets openly cry and embrace me for being given an opportunity to enrich and better their lives. And last, I saw the senior citizens of our State, who had been forgotten by many, finally given a chance to share the knowledge and experience of a lifetime with their younger counterparts.

The program was a tremendous success and we received accolades from every corner of the State for our performance and accomplishments. Even a Washington-based representative of the AFL-CIO told me personally that there was no doubt we had done a fine job and he was only sorry that I was with ABC and not the AFL-CIO. But the central Ohio private sector initiative program no longer exists. We closed it down earlier this year because of our inability to cope with the bureaucratic bungling and contradictory demands placed on us.

Mr. Chairman, what happened to the central Ohio title VII program is a disheartening, confusing, and complicated story. It is even more confusing to try to relate the details in a coherent fashion, but let me try.

In February 1980, after months of contract negotiations and eventual agreement between our Private Industry Council, the State Office of Manpower Development, our prime sponsor, and the Department of Labor, both at the regional and national level, our central Ohio private initiative program opened its doors to its first participants.

In February 1980, the agreed-upon description of the program our participants were involved in was work experience. In June 1980, our Private Industry Council was notified that the regional DOL office requested us to change the program title to read vocational exploration, which would really have little impact on us other than requiring us to go through all our files and change the wording of our contracts and other papers. This, however, was not a simple task.

This also delayed the placement of our participants in unsubsidized work for further schooling by 2 full weeks. Thus, they had to remain at our school at the same time other participants were joining the program, causing tremendous strains on our facilities and our staff.

On the same day we complied with the request, I sent a letter to 15 labor organizations in the central Ohio area informing them of this change.

I had been informed that the regulations required consultation with labor unions which dealt in the trades we were training people in. During the weeks surrounding these events, I was beginning to hear the grumbling from some of the unions who didn't care for our program. I invited several of them to attend a couple of our weekly seminars to inform our participants about their unions. This they did. The next meeting they attended was not to address the participants, but to question me about the program and to request quite a bit of documentation to back up what I said. I complied with every request, both from them and the Department of Labor.

I continued to receive many requests over the weeks and I continued to supply all documents requested of me. An official complaint was filed against our prime sponsor in September 1980. The complaint centered on the structure of our program as well as charging that we had not complied with the consultation provision of the regulations. This was 7 months after the program was underway.

A hearing was set for both sides to present their cases to an administrative law judge, who was to determine the validity of the complaint. Meanwhile, meetings were held and correspondence was exchanged between both sides. All of this controversy caused a delay in the startup of our fiscal year 1981 program.

In January 1981, 3 months after our 1981 program should have been in place and training participants, the administrative law judge issued a decision, without the benefit of the hearing, against the prime sponsor of our program, claiming that we had not provided proper access to our records.

Mr. Chairman, I want to submit for the record a letter from our Ohio State's attorney, Pat West, denying the charges against the States and ABC and I want to further submit a summary of this chain of events which shows that we complied with every request for documentation that came to us.

[The material referred to follows:]

U.S. Department of Labor

Employment and Training Administration
230 South Dearborn Street
Chicago, Illinois 60604

Reply to the Attention of:

18 MAY 1981

HEBBO
Mr. Samuel J. ~~Hedbo~~ -
Executive Director
Central Ohio Chapter
Associated Builders and Contractors, Inc.
685 N. Hamilton Road
Columbus, Ohio 43219

Re: Complaint No. 81-CETA-5-19-C

Dear Mr. Hedbo:

Enclosed is a copy of a preliminary determination on the subject complaint in which I have cited apparent violations. I have requested additional information which must be received within ten days of receipt of this letter.

Sincerely,

RICHARD E. PALMORE
Grant Officer

Enclosure

Bob Jones and Tom Komarek

5/30/81

Gentlemen:

Enclosed find example of the hundreds of questions I have been hounded with since 12-79. I've answered 99% of these questions as many as five and six times over. I returned the $200,000 funds alluded to in this nine page letter - yet no mention of it is made. See underlined quotations etc., that show clearly why no non-union firm or organization could ever hope to help the unfortunate, unemployables of our country under PIC Title VII, unless they all agree to become unionized. That's not the "American Way". Maybe Nazi Germany or Communist Russia, certainly not the U.S.A.

S. J. Hebb

U.S. Department of Labor

Employment and Training Administration
230 South Dearborn Street
Chicago, Illinois 60604

Reply to the Attention of:

Notice of Preliminary Initial Determination

and

Request for Additional Information

Re: Complaint No. 81-CETA-5-19-C

The International Brotherhood of Painters and Allied Trades (IBPAT) Local 1275 filed a complaint with this office concerning an Ohio Balance of State (BOS) CETA Title VII subgrant with the Associated Builders and Contractors (ABC), Inc., Central Ohio Chapter. The complaint concerned the FY 80 program and questioned funds which had been spent on an FY 81 proposal which was not funded.

IBPAT stated it was unable to define the scope of its complaint because of its inability to secure certain documents from the prime sponsor. The major concerns, however, were apparent and will be treated as specific charges. In view of the fact that complete information on the operation of the ABC program and its outcome were not available to IBPAT, I have elected to issue this notice as a means of securing the information needed to issue an initial determination.

I. Complaint

The Ohio Balance of State prime sponsor funded an FY 1980 Title VII program in violation of 20 CFR section 676.12(c)(1) which requires:

> Each prime sponsor shall, at least 45 days before submitting its CETP to the RA, allow at least 30 days for review and comment by providing the complete Plan to the Governor, the State employment and training council, the prime sponsor planning council, appropriate labor organizations, and the private industry council ...

The prime sponsor funded an FY 1980 Title VII program in violation of 20 CFR section 676.24 which states:

> (b) In addition to involving labor organizations in the planning process as specified in paragraph (a) of this section, prime sponsors and subrecipients as appropriate shall:
>
> > (1) Consult with appropriate labor organizations (as defined in 675.4) in the planning, design and content of the training, work experience, public service employment, Vocational Exploration Program (VEP), OJT, and other appropriate activities with respect to job descriptions, wage rates, training standards and arrangements, and occupations planned;

The Private Industry Council (PIC) initiated Title VII activities in violation of 20 CFR section 679.3-7(b)(8) which states:

> In undertaking activities under this Part, the requirements of 676.24, "Labor organization consultation and/or concurrence," shall be observed.

Specifically, the PIC and the prime sponsor initiated a Title VII program for the period December 1, 1979 to September 30, 1980, by contract executed on January 28, 1980 with ABC in violation of the cited regulations and also planned an FY 1981 program in violation of 679.3-7(b)(8).

In addition, ABC presented the proposal for FY 1980 to the PIC for consideration on October 26, 1979. At that time Samuel J. Hebdo, ABC Executive Director, and O. C. Leu, Chrysler Learning, Inc., Toledo, were PIC members. Both ABC and Chrysler Learning received large sums once the proposal was funded.

Findings

1. IBPAT Local 1275 was not furnished a copy of the FY 1980 CETP (Comprehensive Employment and Training Plan) even though Local 1275 met the definition of an appropriate labor organization as defined in 20 CFR section 675.4:

> Appropriate Labor Organizations--means a local labor organization that represents employees in the prime sponsor's area in the same or substantially equivalent jobs as those for which recipients provide, or propose to provide, employment and training under the Act.

Subsequent modifications to the CETP were not submitted to Local 1275 as required by 20 CFR section 676.16(d):

> Publication and comment procedures specified in 676.12 shall apply to modifications for which prior RA approval is necessary except that: (1) each prime sponsor shall comply with the comment and publication requirements at least 30 days prior to submission of its modification to the RA.

2. The ABC proposal included both a training component and a work experience component (subsequently modified to a Vocational Exploration Component). Neither the prime sponsor, the PIC, nor ABC consulted with Local 1275 regarding job descriptions, wage rates, training standards and arrangements or planned occupations even though Local 1275 represented affected employees in those areas where training was planned.

3. The failure to meet the requirements of 20 CFR section 676.24 was identified through on-site monitoring in 1979 and corrective action was ordered. In response the prime sponsor submitted a February 15, 1980 document which stated that the "preliminary" Title VII plan and its revisions had been sent to four organizations: two units of the AFL-CIO's Human Resources Development Institute in Columbus, Ohio, the AFL-CIO Appalachian Council, and the United Mine Workers. This document also claimed that the following labor unions (sic) "have the same occupations as those funded and have been involved in program activities":

> Guy Tiberi, Area Representative for HRDI AFL-CIO, Columbus (Associated Builders & Contractors) and Jim McCulloch, President of Shaunee District AFL-CIO in Portsmouth (Johnson's School of Welding).

The document went on to state that the "attached list of labor organizations will be contacted to concur with specific proposals." The list contained central trades and labor councils in most areas of the State of Ohio.

4. Central trades councils or technical assistance organizations such as the HRDI do not meet the definition of an appropriate labor organization. The prime sponsor was so advised, and in a June 13, 1980 letter the PIC Liaison, Mark W. Uher, made the first request for comments on the ABC proposal of IBPAT and other labor organizations. No copy of the "proposal" was furnished with the letter, and the unions were given until June 30, 1980 to furnish comments.

5. IBPAT finally received a copy of the ABC proposal after the program had been in place several months. The Local provided eleven pages of detailed comments on July 22, 1980. The PIC responded July 24 that all parts of the program were "currently in operation." There was no other response to the comments, and the program was not changed in any way.

6. The failure to consult with appropriate labor organizations was noted in my September 2, 1980 annual assessment letter. Violations of 20 CFR sections 676.24 and 676.12(c)(1) were noted as follows:

> Documentation for consultation with appropriate labor organizations in design and content of programs could not be produced (by the prime sponsor), nor is the Plan (the CETP) sent to such organizations. A corrective action plan should be submitted.

During subsequent monitoring, Region V staff obtained documentation of corrective action which had been taken to meet the labor organization consultation requirement in other CETA programs. A review for Title VII compliance has not been completed.

Determination

The prime sponsor and the PIC failed to meet the requirements of 20 CFR sections 676.12 and 676.24 with respect to funding the FY 1980 ABC subgrant and in addition violated section 679.3-7(b)(8) with respect to planning the FY 1981 program. These violations were identified in 1979 and continued to occur throughout 1980.

I am withholding a ruling on the possible conflict of interest pending receipt of information clarifying the method used for awarding the subgrant.

Corrective Action Required

The prime sponsor and PIC must develop a corrective action plan for consulting with appropriate labor organizations and for securing labor organization concurrence as required by 20 CFR section 676.24. In addition, the prime sponsor must develop procedures for securing appropriate labor organization comments on its CETP as required by 676.12 and 676.16(d).

The corrective action plan must identify the individual(s) responsible for implementing this system and must specify how the results of consultation and concurrence will be documented. (The FY 1982 CETP submittal must be accompanied by a list of unions to which copies were sent.) In addition, the plan must indicate the date by which the new system will be fully implemented. Any programs funded by the PIC or prime sponsor after June 1, 1981, without appropriate labor organization consultation and concurrence may result in disallowed costs.

Finally, the prime sponsor must provide specific information on the procedures the PIC followed in reviewing and voting to fund the ABC subgrant and modifications. This information should include the names of the persons reviewing the proposal(s), the dates of review, the persons voting to fund the proposal(s), the dates of the votes, any information submitted recommending against funding, and the like.

II. Complaint

The prime sponsor signed a temporary subgrant agreement with ABC authorizing the expenditure of $200,000 between October 1 and November 15, 1981 until the FY 1981 subgrant agreement could be executed. This award was made without union consultation or concurrence in violation of 20 CFR section 676.24 (b)(1).

Findings

1. On August 8, 1980 the prime sponsor sent IBPAT a copy of an ABC FY 1981 proposal outline which did not include the effective program dates, information on the number of participants to be served, or budget information. There was no indication that ABC had considered any of the comments contained in IBPAT's July 22 correspondence.

2. In a letter dated September 2, 1980, IBPAT submitted comments on the FY 1981 ABC proposal. No invitation was issued to resolve IBPAT's concerns. The PIC Liaison responded on September 8, 1980, assuring the union that its comments were "thoroughly reviewed and evaluated." He defended the PIC's response to earlier comments by stating, "We did not feel we had an obligation to answer the questions raised in your letter directly...."

3. On September 16 the prime sponsor signed an agreement authorizing ABC to expend $200,000 between October 1 and November 15 until the FY 1981 proposal could be executed. This action was taken without IBPAT's knowledge.

4. Prime sponsor staff met with IBPAT on September 24 and agreed to provide information on the operation of the FY 1980 program for purposes of commenting on the FY 1981 proposal. The information was not provided.

5. There is no evidence currently available to indicate that IBPAT or any other appropriate labor organization was involved in planning or designing the FY 1981 ABC proposal.

Determination

The prime sponsor and the PIC failed to meet the requirements of 20 CFR sections 676.12, 676.24 and 679.3-7(b)(8) with respect to funding the ABC modifications and planning the FY 1981 proposal. The September 16 modification clearly indicates the prime sponsor intended to continue funding ABC despite the fact that Local 1275 had expressed reservations and concerns over the program. An invitation to comment is not equivalent to direct consultation in the planning and design of a program, especially when comments are only acknowledged but not acted upon.

There is also some question on whether a $200,000 "Planning Agreement" is appropriate.

Corrective Action Required

The prime sponsor must:

a. provide IBPAT with the information it requested during the September 24, 1980 meeting and send a copy to this office;

b. develop a mechanism for sharing program outcome data with groups involved in the consultation process outlined under corrective action item #1 for use in the FY 1982 planning period;

c. provide this office with a copy of the $200,000 modification and full details on the amount expended under that agreement.

III. Complaint

The PIC's subgrant with ABC provided funds for training in occupations for which there was no demand in violation of 20 CFR section 676.25-1(b)(1).

Findings

1. The ABC subgrant provided funds for training in the plumbing, electric, sheet metal, carpentry, and bricklayer trades. None of these have been identified as shortage skill occupations nor as occupations for which there is a reasonable expectation of employment according to the most recent BOS Master Plan modification.

2. The ABC subgrant contains the following statement in the general description of services:

> Placement
>
> The placement responsibility of enrollees rests with the sub-contractor (ABC) providing the economy and the job slots are available and in demand.
>
> Registration of Apprentices
>
> Responsibility for registration of graduates as apprentices rests with the Sub-contractor providing the economy and the job slots are available and in demand.

3. Section 676.25-1 establishes the requirements for classroom training which includes the following provision:

(b) In designing and operating training programs recipients and subrecipients shall:

(1) Refer a person for occupational training only after determining that there is a reasonable expectation of employment in the occupation in which such person would be trained (sec. 121(f)(4)).

Determination

Based on available information, it would appear that the PIC entered into an agreement to train participants for low demand occupations in violation of section 676.25-1(b)(1). A final determination on this issue is being withheld pending receipt of specific information on the placement rates for participants who participated in the program.

Corrective Action Required

The prime sponsor is directed to submit the following information:

- a list of demand occupations for each of the six counties covered by the ABC subgrant from September 1, 1979 to December 31, 1980 with an explanation on how the occupations were identified as demand occupations;
- the number of job openings by county which were listed with the Ohio Employment Service in each of the occupations for which training was provided under the ABC subgrant for the period September 1, 1979 to December 31, 1980;
- a list of all the individuals trained by ABC showing for each:
  - the D.O.T. code of the occupation in which the person was trained
  - the duration of classroom training
  - the duration and employer for each VEP assignment
  - the name and address of the employer with whom the participant was placed in unsubsidized employment
  - the date of placement
  - the D.O.T. code of the occupation and wage rate paid in unsubsidized employment
  - the anticipated duration of the unsubsidized job
  - the name of the current supervisor and the date of the last follow-up
  - a list of any individuals transferred to other CETA titles in lieu of placement showing the D.O.T. code of the training or employment
  - activity to which they were transferred
  - the two most recent occupations prior to CETA enrollment
  - the dates of enrollment in the ABC program
- copies of any commitment-to-hire letters which were received either during the planning phase or the implementation phase of the ABC program
- information on the status of any current subgrants with ABC

IV. Complaint

The PIC incurred costs in excess of the benefits and services provided the participants. The cost per participant was excessive and costs were incurred for questionable items. The $200,000 awarded for FY 1981 start-up costs was inappropriate.

Findings

During the last year questions have been raised by both this office and the prime sponsor's Independent Monitoring Unit concerning ABC expenditures. Costs incurred for staff salaries and travel, lease agreements, telephone, duplicating and legal costs, equipment and supply purchases, and apprentice fees have been under review. The information currently available is insufficient to determine whether all expenditures were appropriate.

Determination

A determination on this complaint is being withheld pending completion of a full audit on all ABC subgrants. At that time any questioned costs will be resolved through the audit resolution procedure.

Corrective Action Required

The prime sponsor must arrange for a full audit of all subgrants with ABC without delay and must inform this office of the name of the firm which will conduct the audit and the anticipated start date. As part of the instructions, the firm must be directed to pay particular attention to the following:

- staff expenditures as they relate to participant enrollment dates
- property, equipment, and supply expenditures
- rent, utility, and maintenance fees especially as they relate to participant enrollment dates
- transportation costs for both staff and participants
- apprenticeship and legal fees
- costs incurred after October 1, 1980

A copy of the audit instructions must be sent to this office, and the firm must be instructed to send copies of all preliminary and final reports directly to me.

V. Complaint

The prime sponsor violated 20 CFR section 676.83(c)(5) and 676.83(c)(6).

Findings

1. The prime sponsor's complaint system manual, page 24, states:

> Whenever the Office of Manpower Development receives a complaint, the EEO/Complaint Unit shall investigate the complaint.

It further states on page 26:

> An informal conference shall be scheduled within ten (10) calendar days of the filing of a complaint.

(1) The Prime Sponsor EEO/Complaint Unit shall investigate the complaint and submit a report to the Office of Manpower Development's Administrator or his designee prior to this meeting so that an appropriate resolution can take place at the time of this meeting.

2. "Local 1275 filed a complaint on September 2, 1980. The complaint was not referred to the EEO/Complaint Unit in a timely manner. In addition, there was no investigation and an informal conference was not conducted within 10 days. A meeting was held on September 24, 1980 without benefit of an EEO/Complaint Unit investigation.

3. Section 676.83(c)(6) states that the prime sponsor hearing procedure shall include:

> Opportunity to have records or documents relevant to the issues produced by their custodian when such records or documents are kept by or for the recipient or its subrecipient in the ordinary course of business.

The prime sponsor adopted similar language in its own Complaint Manual. This office approved the prime sponsor's grievance system, and by reference its Complaint Manual, by letter dated August 22, 1980.

4. The prime sponsor's Manual of Standard Operating Procedure, as revised in February, 1980, sets out the following internal procedures:

> p. 65 #4. The EEO and Complaint Unit prepares and mails a letter to acknowledge receipt of the party's request to file a complaint

This was not done because the Complaint Unit did not learn of the complaint until November 13, 1980.

> p. 65 #6. The EEO and Complaint Unit may arrange an informal conference with relevant parties to attempt a resolution of the complaint.

The EEO Unit did not participate in any of the initial discussions of this complaint.

> p. 65 #10. Upon request, the EEO and Complaint Unit gathers additional information concerning the complaint for the hearing officer.

Local 1275 requested specific information, all of which was in the public domain and some of which it was specifically entitled to receive such as the CETP. The information was not furnished. When the hearing officer ordered that this information be furnished, Patrick West, General Counsel for the prime sponsor, withheld full release stating that some of the information was not available or not pertinent.

5. The prime sponsor's Administrative Law Judge, after summarizing IBPAT's inability to secure the information they had requested, ruled on January 14, 1981 that the sponsor:

> ...has intentionally hindered and delayed the expeditious execution of the CETA complaint procedure by acting contrary to the intent of CETA in both letter and spirit

Determination

The prime sponsor is cited for failing to process this complaint according to its approved procedures and in compliance with 20 CFR section 676.83.

Corrective Action Required

The prime sponsor must provide assurance that all future complaints will be processed in compliance with the requirements of 20 CFR section 676.83.

Summary Determination

It is my preliminary determination that the Ohio PIC and the prime sponsor entered into a subgrant agreement with ABC, Inc., Ohio Central Chapter in violation of 20 CFR sections 676.24 and 676.25-1(b)(1). An initial determination is being withheld pending receipt of additional information which could clarify the issues raised by IBPAT Local 1275.

Summary Corrective Action

Within ten days of receipt of this notice the prime sponsor must submit the information requested herein as well as provide a copy of the FY 1980 ABC close-out package. I intend to issue an initial determination within twenty days of the date of this notice, and failure to provide the requested information could result in issuance of a determination that is unfavorable.

It is noted that information was received from the prime sponsor as this notice was being typed. Some of the information was the same as that requested herein though it was not as detailed. For that reason, the prime sponsor is directed to forward only that additional which has not been supplied.

Questions concerning this notice may be directed to Richard Palmore at 312/353-7181.

Date: May 15, 1981

RICHARD E. PALMORE
Grant Officer

A copy of this notice has been sent via "certified mail, return receipt requested" to:

Mr. Leonard F. Blanton
Acting Administrator
Ohio Department of Administrative Services
Office of Manpower Development
1160 Dublin Road
Columbus, Ohio 43215

Mr. Leslie Walters
Business Representative
IBPAT Local No. 1275
1104 Cleveland Avenue
Columbus, Ohio 43201

Mr. Samuel J. He[illegible]do
Executive Director
Central Ohio Chapter
Associated Builders and Contractors, Inc.
685 N. Hamilton Road
Columbus, Ohio 43219

OHIO BUREAU OF EMPLOYMENT SERVICES
Office of Manpower Development
1160 Dublin Road
Columbus, Ohio 43215

JOB SERVICE OF OHIO

JAMES A. RHODES
Governor

ALBERT G. GILES
Administrator

May 28, 1981

Richard E. Palmore
Grant Officer
Employment and Training Administration
U. S. Department of Labor
230 S. Dearborn Street
Chicago, Illinois 60604

Re: Complaint No. 81-CETA-5-19-C
IBPAT Local 1275 v. OMD & ABC
Additional Information

Dear Mr. Palmore:

The "Notice of Preliminary Initial Determination and Request for Additional Information," dated May 15, 1981, was received by this office on May 20, 1981. In compliance therewith, the attached documents are submitted by express mail in order to comply with the requirement that the information requested be submitted within ten days after receipt of the May 15 Notice. In addition to the documentation, additional information is submitted by letter. Each of the five numbered complaints will be addressed, followed by the "Summary Corrective Action" on Page 9 of your letter.

I. Complaint

Paragraph 1. of the findings indicates that IBPAT Local 1275 was not furnished a copy of the FY 1980 CETP even though Local 1275 met the definition of an appropriate labor organization. This is a fact. However, OMD repeatedly offered Local 1275 an opportunity to review the FY 1980 CETP in the State Office Tower, as well as in the new offices, but Local 1275 kept insisting that a copy of that 800-page document be sent to its office. It is difficult to understand how, on May 15, 1981, the Grant Officer can find fault with this fact when, in a letter dated March 13, 1981, the same Grant Officer wrote: "there is no need to reproduce the entire Master Plan and Annual Plan for a locally-based labor organization" as "local bodies with whom you (OMD) are required to consult should be invited to review those documents as at accessible location in Columbus." A copy of that letter is attached, marked "I-B".

OMD developed a corrective action plan for consulting with and obtaining concurrence of appropriate labor organizations in 1980. That policy was promulgated (with a copy to the Grant Officer) in OMD Letter #81-8, dated December 31, 1980. On January 6, 1981, OMD issued a letter to the members of its several planning councils setting forth requirements of the councils in labor organization consultation, with a copy of that letter to the Grant Officer, as well. In the event that those letters have been misplaced, copies are attached, marked "I-A".

The requirement that the FY 1982 CETP submittal be accompanied by a list of unions to which copies were sent conflicts with the advice of March 13, 1981, that copies of the CETP need not be submitted to unions. Would it not suffice to make a copy of the CETP available for union review within each of the Regional Manpower Service Council areas, in addition to Columbus, to satisfy the requirements of the regulations?

Information on the procedures followed by the PIC in reviewing and voting to fund the ABC subgrant and modifications was submitted in our letter of May 11, 1981. An index of the documents submitted on that date is attached; those documents filling this requirement are numbered 18 through 23 on that index.

II. Complaint

Neither the complaint nor the findings accurately reflects the facts of this matter. Moreover, the Temporary Bilateral Subgrant Agreement, executed and funded September 16, 1980, is variously referenced elsewhere in the "Notice of Preliminary Initial Determination" as a "modification".

For a number of years, it has been standard practice for the Prime Sponsor to execute with prior/current subgrantees—under title programs other than Title VII—a "Temporary Bilateral Subgrant Agreement" to serve as a basis for funding a program while ironing out any wrinkles in the ensuing fiscal year's subgrant agreement. This practice was at least condoned by the Grant Officer, if not approved. The same procedure was employed with ABC, Inc., during FFY 1980, in reasonable anticipation of FFY 1981 funding of a training program similar to the 1980 program. At the time of execution, there was no doubt that ABC would be funded for FFY 1981; thus, there was no reason not to follow established policy in dealing with subrecipients.

IBPAT Local 1275 submitted comments on the FY 81 proposal on several occasions. To find that those comments were submitted only on September 2, 1980, is to ignore the facts. To find that "(n)o invitation was issued to resolve IBPAT's concerns" is also to ignore the facts. Several meetings were held between personnel from IBPAT and OMD and/or ABC both before and after September 2, 1980, in attempt to "resolve IBPAT's concerns".

The Temporary Bilateral Subgrant Agreement (Item 16 submitted May 11, 1981, did not authorize the expenditure of $200,000.00. It authorized expenditures for administrative staff salaries and fringe benefits only from October 1 through November 15, 1980, not to exceed $200,000.00. The actual expenditures made pursuant to the Temporary Bilateral Subgrant Agreement were $22,882.03. Inasmuch as the Temporary Bilateral Subgrant Agreement did not authorize ABC to conduct any CETA program and did not stand in place of a subgrant agreement, it did not seem appropriate to consult with appropriate labor organizations prior to executing that agreement.

Finding that the information which OMD agreed, on September 24, 1980, to provide to Local 1275, was not provided, again is to ignore the facts. It might be that OMD's voluminous response to that agreement, dated September 25, 1980, was not delivered by the Postal Service were it not for the fact that the same letter was attached to a December 1, 1980, letter from Local 1275 to the OMD EEO/Complaint Unit. That December 1 letter is item 1 submitted May 11, 1980, and the September 25 letter is attachment 5 to that letter. If IBPAT Local 1275 represented to the Grant Officer that OMD did not comply with the agreement of September 24, that was a misrepresentation, at the very least.

Voluminous evidence that IBPAT Local 1275 was involved in the planning and design of the proposed FY 81 program (ABC, after five unacceptable proposals, declined to propose further to operate a program during FY 81) has been provided. Every comment submitted and question raised by IBPAT Local 1275 was considered by the PIC, by ABC, and by OMD staff in the design of the proposed FY 81 program.

The determination that OMD and the PIC failed to meet the requirements of 20 CFR §§676.12, 676.24 and 679.3-7(b)(8)(which only requires compliance with 676.24 for Title VII programs) in inappropriate inasmuch as the FY 80 program modification was done only at the insistence of and with the assistance of the Federal Representative who guided OMD through the steps. If she failed to guide us past the appropriate labor organizations, how can we be faulted for adhering to her guidance? The determination that we did not consult with appropriate labor organizations in the planning and design of the FY 1981 proposal is also inappropriate given our constant correspondence and dialogue with Local 1275. Moreover, given the fact that ABC chose not to operate a CETA program in FY 81, any error committed with respect to ABC's proposal was harmless error, worthy of no comment by the Grant Officer. The determination that the September 16 agreement was a "modification" is, again, inappropriate. If an invitation to comment is not consultation (the regulations do not use the term "direct consultation") we are at a loss to define the term, particularly in light of our Federal Representative's advice that we utilize that form of consultation. Clearly, the comments submitted by IBPAT Local 1275 were acted upon, both by OMD, in responding to those comments, and by ABC in modifying its proposals for the FY 81 program.

As indicated, the prime sponsor has provided IBPAT Local 1275 the information requested during the September 24, 1980, meeting, by letter of September 25, 1980, a copy of which was submitted May 11, 1981 (attachment #5 to Item 1). While the prime sponsor cannot comply with the corrective action required that it "provide this office with a copy of the $200,000 modification" because there was none, Item 16 submitted May 11 is the Temporary Bilateral Subgrant Agreement which, coincidentally, references the $200,000.00 amount. Details of the amount expended under that agreement are attached hereto, marked "II-A".

III Complaint

It is curious that additional information has been requested for the trades of plumbing, electric (sic), sheet metal, carpentry and bricklayer with respect to a complaint filed by the International Brotherhood of PAINTERS and Allied Trades Local 1275. As no information was requested regarding the painting trade, none is provided. In compliance with the stated corrective action required, the prime sponsor attaches the following.

III-A is data compiled by OMD's LMI Unit with respect to demand for the occupations found by the Grant Officer to have been the subject of ABC training.

III-B is data compiled by the OBES Management Analysis Department regarding the number of job openings by county listed with OBES for the period September 1, 1979, through December 31, 1980.

The data is not necessarily all-inclusive regarding the establishment of a need for workers in the trades in issue by ABC members: although ABC served participants from RMSC Area 6, it placed those participants with ABC members, most of whom were located outside RMSC Area 6, particularly in Franklin County. As the Grant Officer did not request data relating to counties outside the area from which ABC drew participants, none—save for statewide figures—was provided.

III-C is an attempt to provide a list of all participants served by ABC with information in each of the requested fourteen categories for each participant. Each page of the listing should be considered as measuring 8½ x 25 inches: the legal-length page attached to each letter-size page is a continuation of the shorter page. Because DOL nor OMD requires a report in the format demanded by the Grant Officer, intensive effort had to be expended by OMD and ABC staff to attempt to comply with this requirement in the abbreviated time frame (three working days) allowed by the Grant Officer.

Other than information already submitted, OMD has no record of any "commitment-to-hire letters" received either during the planning phase or during the implementation phase of the ABC program. None were required by the subgrant agreement. That there were such commitments, however, is evidenced by the fact of the hiring of participants by ABC members upon completion of training. As has previously been indicated, OMD currently has no subgrant with ABC.

IV. Complaint

A cost benefit analysis of the ABC program, in comparison with other programs under any title of the Act, in our opinion, would indicate that the cost was reasonable, if not lower than practically any other program operated in any other title. However, such analysis has not been performed: none is required by any federal or state regulation. The constant thrust of DOL instructions regarding funding has been to spend; prime sponsors have been criticized and sanctions have been imposed for failing to spend as much as was planned. It seems strange, at this point, to be sanctioned on the grounds that a program was not cost beneficial.

Withholding a determination on this complaint pending completion of a full audit of all ABC subgrants violates 20 CFR §676.88(e) and would run afoul of §676.86(d) which triggers the audit resolution procedure. Given OMD's experience in procuring an audit, the determination of this complaint might be delayed for years. Moreover, given that audit reports submitted to the Grant Officer in 1977 have not even yet been the subject of an initial determination, it would appear that justice could be so delayed as to be wholly denied with respect to this complaint. The prime sponsor contemplates no action with regard to obtaining an audit of the ABC subgrants until resolution of this complaint, except insofar as such an audit might fall within the sample of subgrants to be audited during the course of the next biennial audit.

V. Complaint

It is especially curious that the Grant Officer should criticize the prime sponsor for violating established CETA complaint procedure in a document which is *per se* a violation of the selfsame procedure and manifests a clear intent on the part of the Grant Officer further to violate that procedure and exceed his jurisdiction under the regulations.

Before finding facts with regard to this phase of the complaint, it would have been appropriate to determine a condition precedent: that a complaint was, in fact, filed by IBPAT, and when it was filed. On September 2, 1980, Local 1275 sent a letter to Ned T. Dunn, Administrator, indicating an intention to file a complaint. To consider that communication to be a filed complaint would be to equate a letter to a Board of County Commissioners with the filing of a lawsuit. Complaints initiating lawsuits must be filed with the Clerk of Courts; complaints under the CETA procedure established by OMD must be filed with the EEO/Complaint Unit. None was until about December 6, 1981, when that Unit received the letter of December 1, 1981, requesting a hearing, complaining that OMD had not supplied all the information that Local had requested. Concededly, things went downhill from there.

Given a filing of a complaint on December 1, 1981, no staff of OMD outside the EEO/Complaint Unit in any way acted to deprive the complainants of their procedural due process. On the other hand, if the filing of the complaint were deemed to have been on receipt of the September 2 letter, the complainants by their conduct waived their procedural rights insofar as time limits are concerned. Clearly, no complaint was filed on September 2, 1980. There ensued an investigation and numerous attempts to resolve the complaint informally, albeit not with the assistance or under the direction of the EEO/Complaint Unit. Any authority vested in any Unit of OMD is derived from the chief officer of that office and his superiors. No officer may grant authority which he, himself, does not have. Therefore, it necessarily follows that any authority vested in the EEO/Complaint Unit is also vested in the OMD administrator (now, "manager") who, at his option, may exercise that authority without subordinating the duties thereunder.

Note

The action of the "independent administrative law judge" in dismissing the complaint with a holding for the complainant surely violated every norm of procedural due process known to modern man, particularly for the stated reason that the respondent delayed the expeditious execution of the CETA complaint procedure when that procedure expressly provides for practically unlimited time for a prime sponsor to process a complaint (with the written consent of all of the parties) and on the ground that the respondent had not supplied documents requested by the complainants when the failure to supply such documents was the very essense of the complaint. Such a judgment is tantamount to a court's awarding monetary judgment without a trial on the basis of a demand for judgment.

To sanction OMD for failing to provide information to IBPAT Local 1275, which information is in the public domain, is wholly uncalled for: OMD repeatedly invited IBPAT Local 1275 to inspect any and all documents, records, and other items at the convenience of its personnel but those personnel repeatedly declined to accept the invitations, prefering to demand Xerox copies of such documents. There is no regulation, statute, or other authority mandating that any agency Xerox all of its records and provide the copies to another organization. To comply with IBPAT Local 1275's unreasonable demands would have been cost prohibitive.

To castigate a prime sponsor for failure to comply with the established CETA complaint procedure in a document which, itself is violative of the regulations, and which manifests an intent to disregard those regulations even further is at least reprehensible. Nowhere in Subpart F of Part 676 of 20 CFR is there any authority for the Grant Officer to issue a "Notice of Preliminary Initial Determination" or to require submission of voluminous additional information within five working days or face dire consequences.

20 CFR §676.88(e) mandates the issuance of a final determination within 120 days after the filing of the complaint. The complaint, here, was filed on February 5, 1981. June 5, 1981, is the 120th day after February 5, 1981. Yet, the Grant Officer, on Page 9 of the unauthorized issuance, dated May 15, 1981, states, "I intend to issue an initial determination within twenty days of the date of this notice," (emphasis added), that twentieth day being, coincidentally, June 5, 1981, the date beyond which the Grant Officer is without authority to issue a final determination on this complaint. Of course, the Grant Officer could follow the Prime Sponsor's lead and issue a final determination without benefit of an initial determination or opportunity for informal resolution; however, such a manifest denial of due process is beyond imagination.

Summary Corrective Action

As required, the information is herewith submitted. In addition to the FY 80 closeout package, a copy of the FY 80 subgrant agreement between ABC, Inc. and OMD is included, appended to the back of the submittal.

If further information is required and may be submitted briefly, it may be sent by this office by Telefax upon a telephone call to the undersigned.

RICHARD A. SZILAGYI, CHIEF
ATTORNEY GENERAL SECTION, OBES

by:
Patrick A. T. West
General Counsel, OMD

cc: (without attachments) ABC, Inc.
IBPAT Local 1275

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Initially, the prime sponsor contemplated full and precise compliance with the "request" for additional information. The narrow time limitations, however, precluded doing so, with respect to Attachment III-C.

Information relating to the two occupations of each participant prior to CETA enrollment could not be compiled with the other information within the timeframe allotted. ABC, Inc., has provided OMD copies of registration forms submitted by the participants, which forms, as applicable, indicate the two previous occupations of each participant. These applications are submitted as received in hope that the needed information may be derived therefrom without compilation of the data by OMD.

Had the information requested been timely requested and had the respondents been given sufficient time to comply with the demands of the Grant Officer, surely more accurate adherence to the request for information could have been achieved.

RICHARD A. SZILAGYI, CHIEF
ATTORNEY GENERAL SECTION, OBES

by: Patrick A. T. West
Patrick A. T. West
OMD General Counsel

REVIEW OF THE FY 81 PROGRAM

by Samuel J. Mebdo, Executive Director

Central Ohio Chapter ABC, Inc.

Enclosed are the facts regarding the Associated Builders and Contractors, Central Ohio Chapter, Title VII 1981 FY 81 Program.

June 30, 1980, the PIC Liaison sent the ABC's request for FY 1981 funding to:

Electrical Workers Local 683
Asbestos Workers Local 44
Electrical Workers Local 88
Painter's Local 1275
Painter's Local 605
Plumber's Local 189
Plumber's Local 162
Sheet Metal Local 98
Carpenter's Local 200
Carpenter's Local 1255
Bricklayers Local 44
Bricklayers Local 45
Bricklayers Local 55
Tri-State Council
Capital District Council

The Evaluation Committee, on July 31, 1980, met to consider six (6) proposals submitted for FY 1981. RFP #40 from ABC received an unanimous approval from the committee. ABC RFP #40 was recommended for $500,000. The council, on July 31, 1980, concurred with the committee's recommendation by a 12-0-0-3 vote.

August 8, 1980, the PIC voted to approve the ABC's request for FY 1981 funding.

The International Brotherhood of Painters and Allied Trades filed a complaint on September 2, 1980 regarding the FY 1980 ABC program.

The Evaluation Committee voted on September 9, 1980 to recommend to the council $500,000 additionally to ABC FY 1981 program. The council, on September 9, 1980, through ballot, approved the additional funds by a 14-3-2-2- vote.

A meeting transpired between IBPAT and the Prime Sponsor staff on September 24, 1980. The IBPAT was informed of the bi-lateral agreement with ABC and the advance funds. However, in their October 27, 1980 comments, they indicated they weren't informed of the bi-lateral. The agreement reached during the September 24, 1980 meeting was that the Prime Sponsor would not enter into a permanent contract with ABC until the Painter's comments were received and answered. They were received and they were answered.

The PIC Council met on November 19, 1980 and refused to reconsider council's approved position on the ABC FY 81 program.

The Administrative Law Judge on January 24, 1981, issued a decision on the IBPAT complaint regarding the FY 1980 Program. The decision found the Prime Sponsor violated the complaint procedure and did not provide access to IBPAT to records.

NOTE: This was the most ridiculous decision I think I have ever heard of handed down by a member of the judicial system because of the mere fact that no hearing ever took place. A hearing had been planned, all parties were notified, proof of ABC's activities and that of the State regarding these charges were collected and ready for perusal submissal, but the administrative law judge in this case, after full knowledge of the hearing date, etc., issued a decision without the benefit of a hearing.

Review FY 81 cont.

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ABC's proposed subgrant agreement for FY 81 was rejected by the Prime Sponsor on December 22, 1980 due to excessive costs and program activity. ABC re-submitted on January 16, 1981, and the OMD staff reviewed and revised the subgrant on January 30, 1981.

Febfuary 3, 1981, the DOL representative agreed to review the subgrant, and again get labor comments by February 23, 1981.

March 3, 1981, the DOL and OMD met . . . . to resolve the problems with the contract and program.

It is worth mentioning that as of March 2, 1981, the PIC staff had involved organized labor and specifically IBPAT 20 times during FY 1981 for input on ABC programs.

The following addresses the correspondence and meetings regarding the FY 1981 ABC Program:

August 5, 1980	ABC received notification of PIC's recommendation for funding;
August 8, 1980	PIC staff letter asked for input on FY 1981 ABC proposal;
Sept. 2, 1980	IBPAT comments on the proposal;
Sept. 2, 1980	IBPAT filed a complaint with the Prime Sponsor regarding the ABC FY 1980 and FY 1981 programs;
Sept. 8, 1980	PIC staff responded to the IBPAT comments of Sept. 2, 1980;
Sept. 16, 1980	ABC and OMD entered into a bi-lateral agreement for $200,000 for the period of Octoberl, 1980 to November 15, 1980;
Sept. 24, 1980	Meeting of Prime Sponsor, PIC staff and IBPAT. IBPAT informed of Temporary Subgrant Agreement signed on September 16, 1980. Full funding of the program was contingent on the Subgrant Agreement;
Sept. 24, 1980	Letter from IBPAT outlining the discussion of meeting on that day;
Sept. 25, 1980	PIC staff response to comments from IBPAT on September 8, 1980;
Oct. 15, 1980	ABC submitted the proposed subgrant agreement to OMD:
Oct. 20, 1980	Letter from OMD to ABC regarding changes in subgrant agreement;
Oct. 27, 1980	IBPAT comments on the FY 1980 and FY 1981 ABC programs;
Oct. 30, 1980	Mailing to the Evaluation Committee of pertinent information about the issue;
Nov. 5, 1980	Evaluation Committee meeting and discussion on the issue;
Nov. 12, 1980	Meeting of the Private Industry Council to reaffirm position on the ABC program;
Nov. 12, 1980	During recess of meeting to the council, Evaluation Committee voted to refuse to reconsider the issue of funding ABC;
Nov. 14, 1980	Delivered to IBPAT and Columbus Building Trades copy of the proposed FY 1981 ABC contract for comments;
Dec. 1, 1980	IBPAT response to the PIC and Prime Sponsors correspondence of November 19th and 20th.

Review FY 81 cont.

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Dec. 1, 1980	IBPAT request for a hearing;
Dec. 5, 1980	Prime Sponsor letter setting a hearing date;
Dec. 8, 1980	Letter and comments from IBPAT regarding ABC proposed subgrant agreement;
Dec. 9, 1980	Operative Plasterer's International Association's request for a copy of the proposed ABC subgrant. OMD responded on December 11, 1980;
Dec. 10, 1980	Columbus Building & Construction Trades Council letter and comments on the proposed ABC subgrant agreement;
Dec. 11, 1980	Bricklayers & Allied Craftsmen's request for a copy of the proposed ABC subgrant; OMD responded on December 18, 1980;
Dec. 11, 1980	Capital District Council of the United Brotherhood of Carpenters and Joiners of America's request for a copy of the proposed ABC subgrant. OMD responded on December 18, 1980;
Dec. 16, 1980	Bricklayers Local 45 request for the proposed ABC subgrant agreement. OMD responded on January 7, 1981;
Dec. 16, 1980	United Brotherhood of Carpenters & Joiners request for a copy of ABC subgrant agreement. OMD responded on December 30, 1980;
Dec. 22, 1980	The Prime Sponsor rejected the ABC subgrant agreement based on costs and program activities;
Dec. 24, 1980	OMD issued letter to ABC formally rejecting subgrant agreement;
Jan. 12, 1981	ABC re-submitted the subgrant agreement;
Jan. 14, 1981	Administrative Law Judge issued a decision on the complaint. It was against the Prime Sponsor;
Jan. 29, 1981	IBEW's request a copy of ABC proposed subgrant agreement;
Jan. 30, 1981	Prime Sponsor and ABC revised the subgrant agreement, in line with comments from Pat West, Marge Turnbull and IMU;
Feb. 3, 1981	DOL field representative asked labor unions be consulted again, and she would get an opportunity to review the contract by February 23, 1981;
Feb. 4, 1981	OMD requested input on the third proposed subgrant agreement from 17 appropriate labor organizations;
Feb. 6, 1981	IBPAT's letter and comments on ABC proposed subgrant agreement;
Feb. 9, 1981	Victor Goodman's letter requesting information on OMD's actions regarding ABC. OMD's responded on February 12, 1981;
Feb. 10, 1981	OMD's response to IBPAT's Feb. 6, 1981 letter and comments;
Feb. 16, 1981	IBPAT comments on the third proposed ABC subgrant; OMD responded;
Feb. 23, 1981	DOL field representative had not reviewed contract but promised to review by February 27, 1981;
Feb. 27, 1981	DOL field representative indicated there were problems with subgrant agreement, to be discussed on March 3, 1981;
Mar. 5, 1981	The proposed subgrant agreement was again revised per the DOL representative, Ms. Connie Duffy, who advised the State that

	if an agreement was signed with ABC covering a Vocational Exploration Program (VEP), she would question all costs. No agreement could be reached by the OMD and ABC;
Mar. 6, 1981	Plumbing and Pipefitting comments on third proposed ABC subgrant;
Mar. 13, 1980	Letters from OMD were sent in for input to the 17 appropriate labor organizations;
April 8, 1981	Comments on ABC subgrant from Sheetmetal Workers. OMD responded on April 8, 1981;
April 16, 1981	ABC felt, at this late date, that it could not properly operate a pre-apprenticeship program with the remaining time in the fiscal year 1981 and do justice to the participants, the State and the DOL.

FACTS

(Briefly Stated)

by Samuel J. Hebdo, Executive Director

Central Ohio ABC, Inc.

1. During the period 12-1-79 through 9-31-80, the Central Ohio Chapter of ABC successfully conducted a 1.4 million dollar CETA (FY 80) program which had been described by the PIC Council as the best program in the State of Ohio, insofar as training and outstanding results were concerned and this was during the worst recessional period the State of Ohio had faced in the past 30 years.

2. After completion of the FY 80 Program, ABC had been given another grant of one million dollars ($1,000,000) for a FY 81 Program, and on September 16, 1980, the Ohio Office of Manpower and Development issued a CETA Bi-lateral Temporary Subgrant agreement in the amount of $200,000 to cover salaries, wages, fringes and start-up costs. Special telephone lines were installed, participants books for training were ordered and delivered, office and janitorial supplies were ordered and delivered, etc., and after numerous delays, (which also caused legal problems with some of the chosen participants, yet to this date), re-interviewing and re-evaluation of CETA qualified participants had to take place over and over again. Special advertisements ordered by the State, along with what ABC had used in the previous program was also another cost incurred expense. On October 15, 1980, ABC was paid $50,000 from the $200,000 grant and at this point there still remained $228,151 from the 1980 (FY 80) program. The CETA, PIC staff and the Office of Manpower and Development Director at that time, requested that ABC return $200,000 of this remainder back to the State. After returning the $200,000 to the State, ABC had $78,158 remaining for costs incurred during the interim and start-up period. The finalized contract was consistently assured by the PIC liaison and staff on at least a dozen occasions.

3. From October 1, 1980 until March 31, 1981, ABC had incurred expenses for salaries and fringe benefits and other pertinent items in the excess of $100,000. These expenses were incurred due to ABC's reliance on representations and actions by various officers and staff employees of the State of Ohio that a FY 81 Program contract would become finalized in the very near future. The December 2, 1980 start-up date was delayed, January's date was delayed, February's date was delayed, and finally on April 1st, ABC realized that after all the delays it could not morally assure the Department of Labor, the State of Ohio, nor citizens of our State that we could deliver a solid program for the participants and meet the construction time schedule for the members of the construction industry.

4. On April 9, 1981, a meeting was held in the Department of Administrative Services offices. In attendance were Rick Siehl, Leonard Blanton, Acting Director, Mark Uher, PIC Liaison, Pat West, OMD attorney, Joe Millious, ABC attorney, and myself. The purpose of the meeting was to try to resolve the differences of the parties, in particular, the interim expenses.

4. The difficulties were caused, as the result of a labor organization raising questions as to whether PIC had properly followed procedures for advising the labor organization, as to the ABC CETA Title VII Program. The issue has not been determined and since the original complaint, the labor organization has filed a further complaint with the Department of Labor.

FACTS cont.

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6. As the result of the April 9, 1981 meeting, the representatives of ABC agreed to take back to the ABC Board of Directors four suggested options for Board action. The four options were offered to ABC by OMD Attorney Pat West, Rick Siehl, and Lee Blanton, acting OMD Administrator. The ABC Board approved one of the options which, in brief, required a payment of $18,230.24 by the State of Ohio, which represented the difference between ABC reduced expenses for salaries, fringe benefits, travel, office and custodial supplies, rental of equipment, utilities, classroom rent, advertising and maintenance, these expenses being from October 1, 1980 to March 31, 1981. It was at this meeting that ABC indicated it was not interested in any further CETA programs, and would not conduct a program for 1981.

7. On April 24, 1981, Joseph Millious, ABC Attorney, met with Rick Siehl and Pat West at which time the State of Ohio representatives indicated there was some hesitancy to follow ABC's choice, of the four suggested options, and suggested that the parties should remain in their present positions, namely, ABC retain $78,151 presently in its possession with no further payments to be made by the State.

Associated Builders & Contractors, Inc.
Central Ohio Chapter

665 North Hamilton Road Columbus, Ohio 43219 Phone (614) 236-8638
Samuel J. Hebdo, Executive Director

"Merit Shop Builds Best"

Fighting for Free Enterprise

May 8, 1981

5 8 '81

Mr. Bob Jones
Ass't Deputy Secretary
Department of Labor
601 D Street
Washington, D.C.

Dear Mr. Jones:

First, I would like to thank you for the time you gave me and the very informative discussion concerning the evident misinterpretations of the rules and regs regarding CETA Title VII PIC programs, that you told me you had written.

The one point we discussed in particular, was the statement you made that under rules and regs 676.24, "Labor Organization Concurrence by a union is only applicable when a participant is being placed with a firm or an organization who has a contractual collective bargaining agreement," is evidently grossly misunderstood by everyone out of Region V, and especially by Connie Duffy.

I ask that you confirm this statement, by return mail, along with the fact that you told me that you were going to set-up a meeting between the administrator of Region V and myself, in the near future. You further commented, that under rule 676.24, Labor Organization Concurrence, that "Labor Organizations had only the right of comment." Again, I ask that these statements be confirmed by return mail.

Other things that bothered me a great deal about the rules and regs, Mr. Jones, are:

> Why doesn't organized labor have to consult or receive input from the business community regarding design of their programs' occupations, wage rates, etc.?
>
> Why doesn't organized labor have to submit guaranteed placements, the same as the business community must do? Their claim is just access to their unions and the long range benefits is sufficient - I disagree. This is discriminatory and I feel that either that segment has to be better defined or entirely deleted, because basically programs awarded to organized labor today does nothing more than subsidize the unions and guarantees no job security to the participant.
>
> Another area, O.J.T. 676.25-2, obviously has been developed by labor regarding the dictionary of occupational titles, in that it defines wages, job descriptions, participant wages and periods of training which is reflective only of the unions and not that of the private industry.

Mr. Bob Jones
May 8, 1981

cont.

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Another rule, VEP-676.25-5, was also grossly misinterpreted according to our discussions, by the unions and Region V government official, Connie Duffy, who insisted on a detailed curriculum and IMU reports asking for verification that no profits were realized by any firm or organization for profit. That statement does not appear anywhere in the rules and regs.

And, Mr. Jones, without the defined guidelines, the monitoring audit section of the rules and regs, as designed, definitely need more clarification so that we do not have an auditor misinterpreting, five or six years down the line, the rules and regs of today. The way they are written today, no program operator could possibly engage in a program without being held totally responsible on a cost reimbursable basis.

PIC Title VII was supposed to be innovative, different approaches, apart from the regular CETA system which had left a very bad taste in the mouth of our Ohio business community and the business people. PIC was intended to eliminate the old image and create the new. I can honestly say to you that this has not been done and it is a shame that it is the unfortunate, unemployable's who suffer when associations, political officials and organized labor lose sight of the real purpose behind PIC and use it for their own advantage, instead of using it for the individuals it was originally intended to benefit.

More than anything, I cannot understand why a federal program should have to consult with any interest group when organized labor is not asked to consult with anyone.

Our legal department is researching our particular situation and I have told them I was encouraged by our visit. I am now awaiting a reply from you indicating confirmation of these statements, as well as an appointment with Region V officials.

I remain a grateful and dedicated citizen. "It is too bad we do not have more Bob Jones' serving our country."

Sincerely,

S. J. Hebdo

Samuel J. Hebdo
Executive Director

Sent mw

SJH/mw

cc: PIC Council 5-11-81
Central Ohio ABC Board of Directors 5-11-81
National ABC John Reed and Herky Harris 5-11-81
Rick Siehl 5-8-81
Lee Blanton 5-8-81
Pat West 6-8-81
Mark Uher 6-8-81
Connie Duffy 6-8-81

Mr. HEBDO. This series of meetings and letters dragged on until April, when I made the determination that because of delays already amounting to 6 months, ABC of central Ohio could no longer be involved in the title VII program. I regretted this decision very much, but by that time I was left little choice but to withdraw.

One of the major questions this subcommittee seeks to answer through these hearings is what are the barriers to private sector participation that can be eliminated or ameliorated. In my mind, one answer to that question is to better define our parameters of this so-called consultation and concurrence process.

Since we are not dealing directly with any organization governed by a collective bargaining agreement, we were under no obligation to concur with labor's suggestions. It just seemed incredible that we would be compelled to spend such an inordinate amount of our time fulfilling their requests for information. At what point does DOL properly step in and put an end to the consultation process?

I had no real objection to informing labor unions about the program we had designed, but I question whether or not it was even necessary. Obviously, we did not need their concurrence with our proposal because we were not doing business with them in the first place. So why then was consultation even necessary? After all, when the union organizations developed their own CETA program in our area, they were in no way required to inform business groups one way or the other about the contents of their program.

Mr. Chairman, I cannot emphasize enough how important it is for efforts to be taken to straighten out the confusing rules and regulations which now govern the title VII program. It is basically a sound program, but regulations must be clarified, and better coordination between DOL's Washington office and their regional offices must be developed.

I know, Mr. Chairman, that I have developed a formula that is better than 75 percent successful.

I thank the committee for the opportunity to testify and I hope this example of some of the problems found in the title VII program will be of use to you in your exploration of this issue.

At this time, I will be happy to answer any questions you may have.

Senator QUAYLE. Thank you very much, Mr. Hebdo and I appreciate your coming today and sharing with the committee your very peculiar problem that apparently involve title VII.

Where does this situation stand now? The administrative law judge issued his decision, you say, without benefit of a hearing, against the prime sponsor, claiming that we are not provided proper access to your records?

Mr. HEBDO. That is exactly what he did.

Senator QUAYLE. What does that mean, and where do you go from there?

Mr. HEBDO. Really, what it means, I think it was a slap on the wrist to the State of Ohio; they claimed that the State had not taken into consideration all the locals in the entire State, not just in the balance of State area No. 6, the six counties in which I was working.

Their interpretation leaves much to be desired.

I flew to Washington to ask the same questions of Bob Jones. Just what do you mean by "consultation"? He is the one that gave me the definition. He wrote the rules and regulations, but evidently the other departments do not agree with him. He said that consultation gave them the right to consult only, concurrence only takes place when a labor agreement exists between the parties. Well, in ABC's case, there are no labor agreements. The State was guilty of only notifying two or three local union presidents where, since I was teaching different trades, they should have notified eight different trades in every city in the State of Ohio.

Senator QUAYLE. That was the finding?

Mr. HEBDO. That was the finding by the administrative law judge, and every attorney I have spoken to, every judge I have spoken to, it is an unheard of situation. They have never known it to exist.

A hearing date was set; testimony was prepared, but this administrative law judge rendered a hearing against the prime sponsor.

Senator QUAYLE. Did you appeal that to the Secretary of Labor?

Mr. HEBDO. Yes, I did.

Senator QUAYLE. Where is it?

Mr. HEBDO. I have written many letters. I am receiving letters daily regarding this. For that reason, I came and asked especially to come here before this committee to get whatever input I can of firsthand knowledge.

Senator QUAYLE. You have written letters to the Secretary of Labor?

Mr. HEBDO. Yes.

Senator QUAYLE. And they are going to review the case?

Mr. HEBDO. I have been referred from Angrisari, I have been referred first of all, Jones, and then I received a letter from Mr. Walker; I received a letter from Mr. Anderson; I received a letter then to the Chicago office, Mr. Komarek, who I am meeting with on June 24 and in Chicago, shortly thereafter, Mr. Komarek got in touch with me; I received a nine-page letter addressed to me, but with charges that were all against the prime sponsor; there is, within this packet that I am giving you, a nine-page letter addressed to me stating the pre-initial determination. We were given—the State and ABC were given approximately 3 working days to complete the horrendous amount of documentation that they had required; the 2d, 3d, 4th, and perhaps 10th time, during the course of our fiscal year 1980 program.

Senator QUAYLE. Well, I will tell you, we will try to give it a little push over there and see if we can figure out what is going on to try to get a final resolution on this.

Do you feel that the labor unions just felt neglected; is that their reason to——

Mr. HEBDO. Not at all. I think the fact that it was successful and that someone other than they had conducted the program, in itself, stimulated this desire to destroy. I truly mean that. I feel that they have been given too much power in the makeup, and into the input of the rules and regulations of CETA.

They do not have to answer to anyone, and no one scrutinizes their programs that they propose. I was forced to come up with a figure of placement, a percentage of placement. Labor's answer to that same question was, access to their labor unions was sufficient. No placements were necessary. That, to me, Mr. Chairman, is highly discriminatory and in very bad need of clarification.

I feel that what you are doing is right; I feel that the successful program operators across the State like myself, and so help me God, I will never enter into another title VII program, but they should give you all the information they can, pros and cons, concerning the program that they have just finished with and tell you what they have found that is workable and what was not workable, and I think that is the route you should take.

I have heard a lot of testimony here today as to CETA being good, as to CETA being bad. It is very good. It is very good. It needs to remain. But we do have to have these clarifications to the rules and regulations made immediately.

Senator QUAYLE. This is one of the questions that this committee is asking, What worked? What did not work, and why?

I would just like to know.

Do you feel that this is a typical problem with title VII directors?

Mr. HEBDO. The way the rules are written? Yes.

Senator QUAYLE. Is this just an isolated example or have you had correspondence, communication with other title VII directors that have touched upon this consultation issue?

Mr. HEBDO. Every ABC chapter in the country right now that is dealing with CETA is having the exact similar problem.

Senator QUAYLE. How many chapters?

Mr. HEBDO. There are 62 chapters in the country, and right now I would say at least 7 of them are involved with CETA, title VII, and all 7 are going through the same situation.

Senator QUAYLE. OK.

Thank you very much.

Mr. HEBDO. In the future, Mr. Chairman, if I can, if you need my services in any form whatsoever, please feel free to call upon us.

Senator QUAYLE. We will be communicating with you and we hope that you will do likewise.

Mr. John Bell, the National Tooling & Machining Association, accompanied by Mr. Hahn.

Go ahead and proceed.

STATEMENT OF JOHN A. BELL, MANAGER OF TRAINING ACTIVITIES, NATIONAL TOOLING & MACHINING ASSOCIATION, WASHINGTON, D.C., ACCOMPANIED BY BRUCE N. HAHN, MANAGER, GOVERNMENT AFFAIRS [NTMA]

Mr. BELL. Thank you.

Good morning.

My name is John A. Bell. I am manager of training activities for the National Tooling & Machining Association [NTMA]. With me is Bruce N. Hahn, NTMA's manager of government affairs.

NTMA represents the independent jobshop tooling and machining industry, often described as the "keystone of mass production." There are approximately 12,000 contract tooling and machining companies throughout the country, employing approximately 400,000 persons, predominantly highly skilled toolmakers, diemakers, moldmakers, and machinists.

These occupations are considered critical skills to both the civilian as well as the military manufacturing capabilities of the United States. These individuals are today perhaps the most highly skilled workers in America.

Journeymen tookmakers and machinists regularly earn $30,000 to $35,000 per year. And their employment is not subject to the whims of weather or the economy like so many other trades such as the construction trades in particular. This industry is characterized by high capitalization requirements for expensive machine tools and accessories, as well as the skilled work force necessary to utilize this sophisticated capital equipment. NTMA conducted programs since 1974 under the Manpower Act and Comprehensive Employment and Training Act.

As you will notice, Mr. Chairman, I am deviating slightly from my prepared script. I did a little work over the weekend.

The purpose of the Comprehensive Employment and Training Act of 1973, CETA, is to provide job training and employment opportunities for economically disadvantaged, unemployed, or underemployed persons. This is a noble, worthwhile and proper venture. The population segment toward which the act is directed needs training and employment assistance so that they can secure jobs and increase their earned income.

Social uplift for that specific segment of our population merits continuation. Since 1973, hundreds of thousands of disadvantaged people have been provided basic skills which have enabled them to secure permanent employment and become wage earners rather than relying on public support for their livelihood. The National Tooling & Machining Association and the industry it represents strongly supports the continuation of this program. NTMA has trained and employed in unsubsidized jobs over 8,000 CETA eligible persons since 1973 alone.

However, CETA results have suffered in recent years. Social uplift goals have become the primary focus of the program. Fundamental considerations have become obscured or ignored—the real world of employment and employers' needs. America's skilled work force has gotten to the point where our domestic consistency is no longer the world leader that it once was.

CETA in recent years has directed its total attention toward economically disadvantaged persons. Unfortunately, disadvantaged persons are generally academically and motivationally disadvantaged as well. A high proportion do not have the basic ability to acquire the skills and knowledge required for immediate employment in the highly skilled work force.

The disadvantaged can be helped in programs designed to train highly skilled workers for high paying jobs. NTMA has had an excellent track record in that regard. However, any such program must take into consideration the nature of the work and the qualifications of prospective candidates or trainees. It must have flexibility built in so that it can serve the needs of the industry and employers. A 100-percent economically disadvantaged eligibility intake requirement is unrealistic.

NTMA can speak with considerable authority and experience on this subject. NTMA has received Federal funding assistance for training programs continuously since 1964. NTMA is one of the oldest Department of Labor training contractors. NTMA pioneered preemployment training.

Originally, NTMA programs were funded under the Manpower Development and Training Act of 1962, MDTA. That act had a considerably different goal or purpose than CETA. Congress, in the act, said, "* * * there is critical need for more and better trained personnel in many vital occupational categories * * *" I emphasize vital.

The specific purpose of MDTA was to identify manpower shortages and fund programs which would train qualified people "as quickly as is reasonably possible in order that the Nation may meet the staffing requirements of the struggle for freedom."

Since 1964, NTMA has entered thousands upon thousands of persons into training, and we placed them in unsubsidized jobs; I will mention again. NTMA training programs have provided basic skills making it possible for trainee graduates to secure rewarding career employment in an industry vital to our Nation's well-being, 100-percent employment. And I should add that NTMA Government-funded training has been very cost-effective—less than $2,000 per trainee.

Very few CETA-funded programs provide basic skills for entry to high-paying career opportunities for $2,000 per trainee. A significant number of these early trainees are now owners of their own businesses and are employing CETA-trained people in their shops.

I have attached a case history that occurred in Cleveland, Ohio, to the testimony.

Under MDTA trainee intake emphasis was on unemployed or underemployed persons. NTMA training under MDTA resulted in an extremely high trainee completion ratio—85 percent and higher. Under CETA, since 1973, with eligibility or trainee intake emphasis increasingly being concentrated on economically disadvantaged persons, the program results, while still considered successful, have dropped to a 65-percent completion ratio.

It is important to note that employers—the ultimate users of the CETA product—have become increasingly disenchanged with CETA. Employers need motivated people who are interested in learning.

NTMA strongly recommends that CETA focus some significant—and I emphasize significant—portion of its efforts on training qualified people for skilled occupations. America's industrial and defense needs are at stake.

I am going to go over some of the things that were said by James Campbell.

On December 29, 1980, a special Defense Industrial Base Panel of the House Committee on Armed Services in a published report said in essence that the United States is militarily unprepared to meet a crisis. To quote the report, "* * * there has been a serious decline in the Nation's defense industrial capability that places our national security in jeopardy."

In that same report, the panel clearly identified the "critical manpower shortage" as one of the major factors for the decline of U.S. military preparedness. Dale Church, former Deputy Secretary of Defense, is quoted in that report as follows: "The skilled manpower problem is probably one of the most difficult nuts to crack."

The panel report also stated: "The solution to this national manpower problem will require a national commitment."

Although social uplift is commendable and needed, the United States cannot afford to allow its skilled manpower base to deteriorate any further. The Armed Services Committee report "* * * indicated the Nation would be short 250,000 machinists in the next 5 years." A skills shortage of this magnitude in a pivotal industry warrants a "national commitment."

Another congressional group, the House Small Business Committee, on two separate occasions, identified the importance of the tooling and machining industry. In 1966, that committee said: "The tool and die industry and the machine tool industry are basic industries. The economic welfare of the Nation depends to a very large extent on these industries."

In 1970, that same committee, while reexamining problems facing the tool and die industry, said that the industry:

> * * * continues to be a very important factor in meeting the commercial needs of the country. The skill and ingenuity of this industry become even more vital as our economy evolves into an increasingly technological society.

The national commitment—that was referred to several times before—is required to rebuild America's manufacturing capability, so urgently recommended by the House Armed Services Committee, can be accomplished under CETA—with a slight reorientation.

NTMA strongly supports the reauthorization of CETA. However, NTMA recommends that CETA be modified. A significant portion of CETA resources should be directed toward skills training to rebuild America's dwindling skilled work force are well suited to conduct the programs of this sort. These organizations command the confidence of small business and they must provide the quality programs required by business. They must satisfy the job market.

The Department of Labor's Office of National Programs, which administers these programs to meet the problems should be adequately funded; whereas, in the last 2 years, the funding for this particular department has been dramatically cut. National programs, I should add, offer substantial administrative economies.

What we are looking for is a more balanced approach, a balanced approach between social goals and industry's needs for skilled help.

I would like to close on one point and say that in addition, the Congress should consider complimentary incentives to stimulate on-the-job training once the trainee enters the workplace. The cost of on-the-job training for highly skilled labor in capital-intensive industries is massive.

In our industry, the average equipment investment per worker is $40,000 to $60,000. The apprenticeship process involves a significant temporary loss of productivity as journeymen must take many productive hours off their own machines to help train the apprentices. Companies in small business industries such as this one often lack formal training programs and have relied on the European approach to apprenticeship developed over hundreds of years.

For on-the-job training to continue in today's high competitive and inflationary business environment, something must be done to offset these tremendous training costs in those industries with existing shortages of skilled labor. Approaches such as the targeted jobs tax credit have failed for some of the same reasons that the effectiveness of CETA programs have been limited by the applications of social objectives.

NTMA favors the approach offered by Congressman Don Bailey in H.R. 3752. That legislation would provide significant tax credits to stimulate the training of skilled labor in industries with existing shortages of skilled labor.

It would not be tied to social objectives and would provide the most effective utilization of available resources in that the Federal Government would be assured that there were existing high-paying jobs available for those people eligible for the tax credit.

It would be an excellent replacement for the present targeted jobs tax credit which is scheduled to expire at the end of this year.

Thank you.

[The prepared statement of Mr. Bell follows:]

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REMARKS BY

JOHN A. BELL

NATIONAL TOOLING & MACHINING ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT & PRODUCTIVITY

OF THE

SENATE COMMITTEE ON LABOR & HUMAN RESOURCES

HOLDING HEARINGS ON

EMPLOYMENT AND TRAINING ISSUES

JUNE 15, 1981

Good morning. My name is John A. Bell. I am Manager of Training Activities for the National Tooling & Machining Association (NTMA). With me is Bruce N. Hahn, NTMA's Manager of Government Affairs.

NTMA represents the independent job shop tooling and machining industry, often described as the "keystone of mass production". The tooling and machining industry provides the tooling which is critical for every other manufacturing industry and every major defense system. Without the equipment and talents of this industry, this country would be unable to expand or maintain its assembly lines and would be unable to produce military hardware. There are approximately 12,000 contract tooling and machining companies throughout the country employing approximately 400,000 persons, predominantly highly skilled toolmakers, diemakers, moldmakers and machinists. These are truly small, privately-owned companies which manufacture tooling, equipment and parts necessary for mass production.

These occupations -- toolmakers and machinists -- are considered critical skills to both the civilian as well as the military manufacturing capabilities of the United States. These individuals are today perhaps the most highly skilled workers in America. Journeyman toolmakers and machinists regularly earn $30,000 to $35,000 per year. And, their employment is not subject to the whims of weather or the economy like so many other trades such as the construction trades in particular. This industry is characterized by high capitalization requirements for expensive machine tools and accessories, as well as the skilled workforce necessary to utilize this sophisticated capital equipment.

NTMA is a pioneer --.an expert on pre-employment training, having conducted programs continuously for the Department of Labor since 1964 under both the Manpower Development and Training Act (MDTA) and the Comprehensive Employment and Training Act (CETA).

The purpose of the Comprehensive Employment and Training Act of 1973 is to provide job training and employment opportunities for needy unemployed or underemployed persons. This is a noble, worthwhile and proper venture. The population segment towards which the Act is directed needs training and employment assistance so that they can secure jobs and increase their earned income.

Social uplift for that specific segment of our population merits continuation. Since 1973 many disadvantaged people have been provided basic skills which have enabled them to secure permanent employment and become wage earners rather than relying on public support for their livelihood. The National Tooling and Machining Association and the industry it represents strongly supports the continuation of CETA. NTMA has trained and employed in unsubsidized jobs over 8,000 CETA eligible persons since 1973.

However, CETA results have suffered in recent years. Social uplift goals have become the primary focus of the program. Fundamental considerations have become obscured or ignored -- the real world of employment and employers' needs. American industry's skilled workforce has shriveled to the point where our productive capacity is no longer the world leader.

CETA in recent years has directed its total attention towards economically disadvantaged persons. Unfortunately, disadvantaged persons are generally academically and motivationally disadvantaged. A very high proportion do not have the basic ability to acquire the skills and knowledge required for immediate employment in the highly skilled workforce.

Disadvantaged persons can be helped in programs designed to train highly skilled workers for high paying jobs. NTMA has had an excellent track record in that regard. However, any such program must take into consideration the nature of the work and the qualifications of prospective candidates. It must have flexibility built in so that it can serve the needs of the industry and employers. A 100% economically disadvantaged eligibility intake requirement is unrealistic.

NTMA can speak with considerable authority and experience on pre-employment training. Having received federal funding assistance for training programs continuously since 1964. NTMA is one of the oldest Department of Labor training contractors. NTMA pioneered pre-employment training. Originally NTMA programs were funded under the Manpower Development and Training Act of 1962 (MDTA), which had a considerably different goal or purpose than CETA. Congress, in the MDTA said, "...there is critical need for more and better trained personnel in many vital occupational categories..." 1/

The specific purpose of MDTA was to, and I quote, "... identify manpower shortages and fund programs which would train qualified people as quickly as is reasonably possible in order that the Nation may meet the staffing requirements of the struggle for freedom." 2/

Since 1964 NTMA has entered thousands upon thousands of persons into training. NTMA training programs have provided basic skills making it possible for trainee graduates to secure rewarding career employment in an industry vital to our nation's well-being. NTMA programs have a 100% job placement record -- unsubsidized jobs I emphasize. And, I should add that NTMA government-funded training has been very cost effective -- less than $2,000 per trainee. Very few CETA funded programs provide basic skills for entry into high paying career opportunities for $2,000 per trainee. A significant number of these early trainees are now owners of their own businesses and are now employing CETA trained people in their shops. A case history is attached.

1/ Manpower Development and Training Act of 1962, as Amended Through October 24, 1968, Sec. 101.

2/ Ibid.

Under MDTA trainee intake emphasis was on unemployed or underemployed persons. NTMA training under MDTA resulted in an extremely high trainee completion ratio -- 85% and higher. Under CETA, since 1973, with eligibility or trainee intake emphasis increasingly being concentrated on economically disadvantaged persons, the program results, while still considered successful, have dropped to a 65% completion ratio.

It's important to note that employers -- the ultimate users of the CETA product -- have become increasingly disenchanted with CETA. Employers need motivated people who are interested and capable of learning the modern technology of today.

NTMA strongly recommends that CETA focus a significant portion of its efforts on training qualified people for skilled occupations. America's industrial and defense needs are at stake.

On December 29, 1980, a special Defense Industrial Base Panel of the House Committee on the Armed Services, in a published report, said in essence that the United States is militarily unprepared to meet a crisis. To quote the report, "... there has been a serious decline in the nation's defense industrial capability that places our national security in jeopardy." 3/

3/ U.S. Congress. House. Committee on the Armed Services Report of the Defense Industrial Base Panel. The Ailing Defense Industrial Base: Unready for Crisis. 96th Congress, 2nd Session, 1980, p. (III).

In that same report the Panel clearly identified the "critical manpower shortage" as one of the major factors for the decline of U. S. military preparedness. Dale Church, former Deputy Secretary of Defense, is quoted in that report as follows: "The skilled manpower problem is probably one of the most difficult nuts to crack." [4] The Panel report also stated, "The solution to this national manpower problem will require a national commitment." [5]

Although social uplift is commendable and needed, the United States cannot afford to allow its skilled workforce to deteriorate any further. The Armed Services Committee Repprt, and I quote, "... indicated the nation would be short 250,000 machinists in the next five years." [6] A skills shortage of this magnitude in a pivotal industry warrants a "national commitment".

Another Congressional group, the House Small Business Committee, on two separate occasions identified the importance of the tooling and machining industry. In 1966 that Committee said, and I quote, "The tool and die industry and the machine tool industry are basic industries. The economic welfare of the nation depends to a very large extent on these industries." [7]

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[4] Ibid., p. 14.   [5] Ibid., p. 15   [6] Ibid., p. 14.

[7] U.S. Congress. House. Select Committee on Small Business. Report of Subcommittee on Special Investigations of Small Business Problems. Problems of the Tool and Die Industry, And Associated Problems of Manufacturers and Distributors of Machine Tools. 89th Congress, 2nd Session, 1966, p. 1.

In 1970 that same Committee, while reexamining problems facing the tool and die industry, said that this industry, I quote, "...continues to be a very important factor in meeting the commercial needs of the country. The skill and ingenuity of this industry become even more vital as our economy evolves into an increasingly technological society." [8]

The "national commitment" required to rebuild America's manufacturing capability, so urgently recommended by the House Armed Services Committee, can be accomplished under CETA -- with a slight reorientation. NTMA strongly supports the reauthorization of CETA. However, NTMA recommends that the CETA intake criteria be modified. A significant portion of CETA resources should be directed towards skills training to rebuild America's dwindling skilled workforce. A more balanced approach is needed to satisfy social goals and industries' needs for skilled help. National organizations -- labor unions and trade associations -- are particularly well suited to conduct programs. They command the confidence of small business. They must provide the quality programs required by business and they must satisfy the job market. The Department of Labor's Office of National Programs which administers programs to meet special labor situations and problems should be more adequately funded, whereas its funding has been dramatically cut. National programs also offer substantial administrative economies.

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[8] U.S. Congress. House. Select Committee on Small Business. Report of Subcommittee No. 5. Problems Facing the Tool and Die Industry. 91st Congress, 2nd Session, 1970, p. (1).

In addition, Congress should consider complimentary incentives to stimulate on-the-job training once the trainee enters the workplace. The cost of on-the-job training for highly skilled labor in capital intensive industries is massive. In our industry, the average equipment investment alone is $40,000 to $60,000 per worker. The apprenticeship training process involves a significant temporary loss of productivity because journeymen must take many productive hours off their own machines to help train the apprentices. Companies in small business industries such as the tooling and machining industry often lack formal training programs and have relied on the European approach to apprenticeship developed over hundreds of years.

For on-the-job training to continue in today's highly competitive and inflationary business environment, something must be done to offset these tremendous training costs in those industries with existing shortages of skilled labor. Approaches such as the targeted jobs tax credit have failed for some of the same reasons that the effectiveness of CETA programs have been limited by the applications of social objectives.

NTMA favors the approach offered by Congressman Don Bailey in H.R. 3752. That legislation would provide significant tax credits to stimulate the training of skilled labor in industries with existing shortages of skilled labor. It would not be tied to social objectives and would provide the most effective utilization of available resources in that the federal government would be assured that there were existing high-paying jobs available for those people eligible for the tax credit. It would be an excellent replacement for the present targeted jobs tax credit which is scheduled to expire at the end of this year.

Thank you.

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Case History/Profile

NTMA Pre-Employment Training Program

Twenty-Six year old Juan Chahda immigrated to the United States from Argentina in 1973. After settling in Cleveland, Juan entered a NTMA 12-week CETA-funded pre-employment training program and graduated in November, 1974. Following graduation and becoming employed by an NTMA member company, Juan continued his apprenticeship training and subsequently became a certified journeyman.

Later, Juan decided to start a tool shop of his own, but this was not successful. Confident in his abilities and not discouraged by his first failure, Juan formed a partnership with Joe Mietro and established Cleveland Die & Manufacturing Corp. in late 1976.

Cleveland Die and Manufacturing Corp. has been successful and hired two recent graduates of NTMA pre-employment training programs in the Cleveland area. Juan, a CETA graduate, is now training other CETA graduates in the intricacies of the trade and preparing them for rewarding career-type jobs.

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National Tooling & Machining Association Comments on the Need for Continued and Expanded CETA Title III Funding

The National Tooling and Machining Association represents the independent job shop tooling and machining industry, often described as the keystone of mass production. There are approximately 12,000 companies throughout the country employing slightly over 300,000 persons, predominately highly skilled tool makers, die makers, mold makers and machinists. These occupations are considered critical skills to the civilian as well as military manufacturing capabilities of the United States. The industry is characterized by high capitalization in expensive machine tools and accessories and the skilled workforce necessary to utilize this sophisticated capital equipment.

On December 29, 1980, a special Defense Industrial Base Panel of the House Committee on Armed Services said, "...there has been a serious decline in the nation's defense industrial capability that places our national security in jeopardy." 1/

1/U. S. Congress. House. Committee on Armed Services Report of the Defense Industrial Base Panel. The Ailing Defense Industrial Base: Unready for Crisis. 96th Congress, 2nd Session, 1980, p. (III).

The Panel also clearly identified the "critical manpower shortage" as one of the major factors for the decline of U. S. military preparedness. During those hearings, Dale Church, Deputy Secretary of Defense for Acquisition Policy, Department of Defense, said, "The skilled manpower problem is probably one of the most difficult nuts to crack..." 2/ Robert Fuhrman, Chairman, Defense Science Board Summer Study Task Force on Industrial Responsiveness, testified and narrowed the focus of the skills shortage when he said, "...our study indicated the nation would be short 250,000 machinists in the next five years." 3/ The Panel further stated, "...the solution to this national manpower problem will require a national commitment." 4/

One of the five major goals of the National Tooling and Machining Association, which was organized in 1943 and now has chapters in over 60 major industrial centers across the country, is to develop a comprehensive structure for training on all levels. Since 1964 NTMA has received federal financial assistance for training. Originally funded under the Manpower Development and Training Act (MDTA), the activities are now funded under the Comprehensive Employment and Training Act (CETA). NTMA, during that time, has started over 14,000 persons in training for rewarding, challenging careers in the metalworking industry.

2/ Ibid., p. 14. 3/ Ibid. 4/ Ibid., p. 15.

NTMA was one of the first organizations to innovate and develop highly structured pre-employment training activities. The Association has put together a very proficient training staff and developed sophisticated training techniques and materials specifically designed to provide skills to enable people with little or no background to enter the metalworking trades.

Presently the NTMA federally funded program is composed of a 12-week institutional phase coupled with a 12-week supervised on-the-job training phase. During the first 12-week institutional phase, trainees spend four hours a day in the classroom learning how to read blueprints, handle elementary algebraic and trigonometric functions, and learning the fundamentals of machine shop theory. The remaining three hours a day are spent in the school machine shop learning basic operations on milling machines, grinding machines, lathes and drill presses, plus the use of other hand tools and measuring instruments. This is a very accelerated, compressed program which generally provides the same amount of theoretical knowledge that a trainee would learn during the first year of a straight OJT training program.

Successful graduates of this program have all been placed in employment positions in the metalworking industry. The large majority of these graduates are, upon employment, enrolled in formal apprenticeship programs. These jobs are characteristically outstanding career opportunities with salary levels ultimately in the $20,000-$30,000 per annum range.

Since the inception of this type program in 1964, it has experienced strong acceptance from the employer community even though it is government-funded because it is conducted by the national association which represents the industry. The industry has confidence in the program and has accepted the graduates knowing they have received intensive skills training, as well as comprehensive job orientation. Because the program is conducted nationally with a core administrative staff, the cost per trainee has been especially low -- under $2,000 per trainee.

This program has been successful in recruiting, training and placing in employment a representative cross-section of American ethnic society: 35-40% minorities; 45-50% under 21 years of age; 20-25% veterans; 10-15% females. Under the new CETA regulations, very nearly 100% of the trainees are economically disadvantaged, or unemployed/underemployed.

Many, many of the graduates of this program are today successful leaders throughout the industry. Many of them have even gone on to start their own businesses. Attached is a case history of one such minority graduate who is now a partner in a small tooling and machining shop in Cleveland. This former trainee is now hiring recent graduates of the NTMA 12-week program for his own company. Certainly programs of the NTMA type should be expanded far beyond the size and scope under which it presently operates.

Although the NTMA pre-employment training program has been eminently successful for over 15 years, funding has been at minimal levels. As indicated earlier, there is a severe and growing shortage of skilled tool makers and machinists. A national commitment is required to solve this critical skills problem. A program of this quality and importance should be entitled to increased funding rather than a decreased amount.

2/9/81

NATIONAL TOOLING &
MACHINING ASSOCIATION

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Case History/Profile

NTMA Pre-Employment Training Program

Twenty-Six year old Juan Chahda immigrated to the United States from Argentina in 1973. After settling in Cleveland, Juan entered a NTMA 12-week CETA-funded pre-employment training program and graduated in November, 1974. Following graduation and becoming employed by an NTMA member company, Juan continued his apprenticeship training and subsequently became a certified journeyman.

Later, Juan decided to start a tool shop of his own, but this was not successful. Confident in his abilities and not discouraged by his first failure, Juan formed a partnership with Joe Mietro and established Cleveland Die & Manufacturing Corp. in late 1976.

Cleveland Die and Manufacturing Corp. has been successful and hired two recent graduates of NTMA pre-employment training programs in the Cleveland area. Juan, a CETA graduate, is now training other CETA graduates in the intricacies of the trade and preparing them for rewarding career-type jobs.

Senator Quayle. Thank you very much.

I have two basic questions.

You talk about focusing in on skilled training, which I think is immensely important, with a slight reorientation. The reorientation from what? From what we are doing right now? In other words, are you saying that we are neglecting the skilled training aspect; or what part of CETA would you take from now and emphasize on the skilled training aspects?

Mr. Bell. The last couple of years, the total emphasis of CETA is social uplift. If we would just pay more attention to the name of the act itself, employment and training is the intent, and it has been jimmied around to the point where employment and training is not the prime purpose of it; and that is what I am referring to. The old Manpower Development Training Act probably had a balance that we would like to see restored to the present act. The balance was there. There was a lot of training going on in the area that we referred to, that satisfied the skills shortage as well as many of the other lesser skilled situations.

Senator Quayle. In emphasizing on the skilled training, which I am for, I think it is going to be done, but I am looking at the training aspect of the Government. Most of these people in the skilled training programs are ones that would be going into the work force, have some degree of competence, have some degree of skill, it just has not been utilized.

What about those that do not have skills that are really very difficult to train and probably would not fit into the mechanics? Where should the Government role be for those people, as compared to the ones that do have the skills?

Mr. Bell. I think we could still satisfy many of those people under the present program. We are doing it right now.

As I mentioned, under CETA, this association has trained and placed in jobs, unsubsidized jobs, over 8,000 people.

One of the problems, and the reason for our dropoff in our completion ratio is that we are taking in—in many cases, very, very poorly qualified people, and leaving other people more qualified standing in line and saying, you are not eligible; we cannot take you in because you are not economically disadvantaged. They are unemployed and in many cases underemployed.

We have to turn them down because they do not meet the economic criteria. This is where we cannot satisfy skills criteria when we are taking in more people who have. That is why I say there has to be some balance. Both aspects have to be looked at very seriously.

Mr. Hahn. The problem with the social objective as the sole objective, as it has developed and evolved under CETA and is reflected in the targeted jobs tax credit, is that the social objectives and skills training are not consistent for reasons that Jack just mentioned.

What we are suggesting is that there ought to be a new priority applied to any jobs tax credits that may be offered or to the CETA program; and the new objective ought to be in the interest of this country, the need to rebuild the industrial base, the need to be able to supply the industry with the critical defense systems. The problem is that there are jobs available; there are 60,000 jobs available right now. We cannot get enough CETA-eligible people who are really qualified for these jobs and we cannot bring the people that would be able to satisfy the qualifications under present CETA requirements.

So change the requirements. Make the primary requirements to support those industries that are critical, that are short of people at this time, and let us rebuild those industries.

We are not saying disregard the social objective. It has a place and it should fit somewhere else and that is fine and dandy, but it is in many respects inconsistent with the objective of rebuilding our highly skilled work force.

Senator **QUAYLE**. All right.

Well, I thank you very much. I look forward to working with you in the future and I enjoyed our past association and we will certainly stay in close communication with you.

Mr. **BELL**. Thank you.

Senator **QUAYLE**. The committee is going to be in recess until 1 o'clock for lunch.

[Whereupon, at 12:05 p.m., a luncheon recess was taken, the subcommittee to reconvene at 1 p.m. this same day.]

AFTERNOON SESSION

Senator **QUAYLE**. The committee will come to order.

The National Association of Private Industry Councils is next. Welcome.

STATEMENT OF JOHN A. KENNEDY, THE NATIONAL ASSOCIATION OF PRIVATE INDUSTRY COUNCILS, ACCOMPANIED BY MICHAEL GRIFFEY, EXECUTIVE DIRECTOR, PRIVATE INDUSTRY COUNCIL OF DADE COUNTY, FLA.; JERRY BAUM, SPECIAL ASSISTANT TO THE DIRECTOR, BALTIMORE METROPOLITAN MANPOWER CONSORTIUM; AND ROBERT KNIGHT, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF PRIVATE INDUSTRY COUNCILS

Mr. **KENNEDY**. Mr. Chairman and members of the subcommittee, I am John A. Kennedy. I am chairman of the Private Industry Council of Suburban Cook County, Ill. I am also the president of James Electronics in Chicago, a manufacturer of telephone equipment. I am also the chairman of a company in Torrance, Calif., that makes computer memories.

I am here on behalf of the National Association of Private Industry Councils. With me is Michael Griffey, the executive director of the Private Industry Council of Dade County, Fla.; Jerry Baum, the special assistant to the director of the Baltimore Metropolitan Manpower Consortium; and Bob Knight, the executive director of our association.

We have given you a written statement concerning our views with regard to the Private Industry Council and the questions which you posed. I will attempt to add to that extemporaneously. I am speaking primarily for myself about the Private Industry Council as a concept.

I thought I would direct my first remarks to the historical concept of should the Federal Government be involved with education and training. I think, if we go back to the beginnings, Government has had the responsibility for public education. Initially that public education was general education although it very rapidly became educating those in the agricultural and ultimately in the industrial fields.

Senator, you and I come from an area that has gained a great deal from the land-grant college program. I myself went to a vocational school with one of the first programs, the Smith-Hughes Act of the thirties. I gained a number of trades. Right now many are obsolete, but they do allow me to repair the various mechanical and electrical devices of my home.

There is a change in the whole vocational system. It is a change that has come from the changing technology of the era that we live in. We no longer are just competitive within our area. It is now competition between area and area, State and State, and now it is an international problem. We must be competitive throughout the world. In my two businesses, one in California and one in Illinois, I daily think not just of my competition in the United States but the fact that I have very severe competition from countries throughout the world. So, it has become a national problem of where are jobs going to generate.

I think the whole intent of the Federal employment policy should be to train individuals for jobs that exist today and jobs we anticipate will exist in the future. This should be one thrust of our standard and regular educational system and then supplemented by the Federal Government through its educational and training acts.

What we are looking at today is a moving target. That target or drone or whatever we may want to call it is moving faster and faster. The Smith-Hughes Act of the thirties was probably good and intact for 20 years. We are looking at businesses that are trying to survive, and they are looking at a technology that is moving so rapidly that they have to change to survive.

I believe in 1973 the added concept of decentralization was a very good one because every area in this country is different and is going to be different. It also gave us what I think is quite exceptional and unique in our country, the opportunity for many people to be innovative, to be different, to have bold concepts, and to try different things.

I have developed an analog between what I view our Private Industry Council—to a business that has been established for many years. It takes its raw material, has its processing plant, and ends up with a product. All of a sudden after all these years it no longer can sell its product. It looks out at that marketplace and says what's the matter?

Traditionally, the private entrepreneur will go to an independent consultant, one of the typical firms. They will examine the market, and they will say:

> You're making the wrong product; you have to change your process; you have to take that raw material and change it into something that the marketplace wants.

If that individual entrepreneur does not make those changes, his product builds in inventory. He doesn't sell that product, and he goes bankrupt.

A nation that trains for jobs that do not exist, that cannot be sold to its economic system can also go bankrupt. I think the analogy is then what are we doing to examine the market of our job-training programs? In that respect, I think the Private Industry Council was a very imaginative, bold, and interesting concept. We have brought in people who are in the marketplace and who know what the so-called requirements are. The Private Industry Council can be successful in each unique place where it has been established.

They can identify the market today for jobs and identify what jobs can either be developed in the future through economic development, through community effort, through Federal programs, private programs, private and Federal funding, then that particular local area is just like a business: it is on its way to health. It is on its way to improving the educational process, which is the public system of taking young people, our middle aged, older people and our disabled people and putting them into a form that are marketable on the job employment market.

This all adds up to economic health.

Assume that the Private Industry Council is going to be different because of the very way it was created. There are going to be successes. There are going to be failures. And there is going to be a great many which will do a fair job. There is nothing so important in my mind than the need to identify at the local level what jobs are going to be there so that people can, when they finish programs, whether they be traditional programs or the programs that are supplemented and aided to by Federal Government employment training programs, have meaningful jobs.

We start with unfortunate people who are minorities, live in poor areas and do not have counseling or opportunities. I have a number of children. I have five out of college at this point. I believe everyone who leaves our educational system should have a tool bag. The five I have out of college one way or the other, whether they liked it or not, have been talked into a tool bag. And those bags have gotten them job opportunities.

I was with a young man last night from probably the most prestigious university in the United States. He ended with a degree in international environmental problems. I have desparately tried to help him identify his tool bag. He did not take chemistry. He did not take physics. He did not take accounting. He did not take a simple course in computer science. He probably should be CETA eligible to get his tool bag. There are so many people to worry about.

We must identify that the job exists before we develop training programs for filling those jobs.

Traditionally—and I have been involved in it myself—you build charts to train people. We are really interested in people, as legislators, as citizens, as employers. We have to recognize, if we are developing training programs for the item at the bottom of the chart called a job, that we had better identify where that job is. Does it exist in the community? Does it exist nationally in the case of more developed educational systems of a higher order? The biggest problem is training at the entry level.

We have to recognize also that the private system, as has been mentioned earlier here, does $30 billion worth of training. I am a small manufacturer with a few hundred employees at both plants.

We do training. I also recognize the difference in those two areas. If I was managing the training programs of the South Bay area of Los Angeles, Calif., they would be totally different than the training programs I believe myself and my associates are going to recommend as we complete our marketing program for the county of Cook and the suburban area because of the nature of the two areas.

The nature of my two businesses have different labor shortages. The nature of training for those opportunities are totally different. So, the uniqueness of our system is to get people involved to do that marketing analysis for the future of their community, whether it be a city, a county, a State.

So, private sector involvement is going to give you action. It is going to be market-sensitive. It is going to be cost-sensitive.

I have heard many of the members of my council speak in terms of: "We have this budget; but who came up with this budget? We are just beginning. We will use that budgeted money, but perhaps not this year. Let us turn it back". This is admirable, and I think somewhat different than the traditional programs. I have been in the State legislature, and I have run a State agency. I know the internal structuring of budgets and spending and where you can and cannot spend spending. I think the Private Industry Council is a market-oriented, local-oriented, and a society interested group and is cost sensitive.

There are three areas of employment levels that we look at. I think we are all in a consensus here, and in the report. There are the productively employed workers today. We must recognize—and I see it daily in my own area—that those productively employed people today may be out of a job tomorrow.

A mention was made of welding. In the southern end of our area today there are many, many welders out of work. And there will be more. Yet, we are still training in our traditional systems, welders. Robots are going to replace welding in many, many industries. There is perhaps a need in Pascagoula, and I have been there and I know the demand for welding on ships. Unfortunately, the geography problem of moving them from the southern end of Cook County to Pascagoula is something I do not think the local or Federal Government wishes to face directly.

The whole intent of the concept of the present productively employed being retrained has to be considered. Again, I think it is a public responsibility. We are in a fast track in this world today technology-wise, and we cannot get off it. We cannot hope for the simple educational system that is going to work all your life and you will stay there.

We also have to realize there are plenty of individuals in every area of this country that are employed but underutilized. I think upgrading is one of the imaginative programs possible with the PIC. We can upgrade. We can upgrade and move into the slots of the upgraded people with, you might say, the so-called unemployed underprivileged. PIC does have that exceptional situation where it is different than the CETA program. It can do some imaginative things to move the ladder upward to look at the broader base of the economy of a particular area.

So, coordination of training programs, in my opinion, toward the economic health of the area is very important. As it turned out in our particular county, we have developed an economic coordinating committee. This committee has the HUD programs. It has the EDA programs, the SBA to a degree although this does not go through the county, and CETA. I amusingly say we are bringing back together what Washington has torn apart.

Fundamentally, I think coordination will help a great deal in bringing back together programs toward a common local goal with the concept of generating jobs, of generating job opportunities. Jobs are not generated by pure training. They are generated by the cooperation of all of the factors in a community including the training section, which is our educational system, the financial community of the area, and including the entrepreneurs themselves that are willing to give their time to work at solving the problems. Being at the point in the entire system where they are—being both men and women—can be effective.

First, by assisting the development and continued health of existing businesses by training people that fit and make them more productive in those existing businesses. This is one of the responsibilities of the total program. No. 2 is attracting medium- and large-size businesses to move into your community.

Third is one that I am particularly interested in for Illinois, the creation of small and exciting new businesses, people who are trained at the higher technologies, who can stay in our community, who can find financing, who can find trained people, who can find imaginative ways to start their business in Illinois. It is through those exciting new businesses which, interestingly enough, are normally more labor intensive than the established large process-type industries, that you probably will see exciting employment growth.

I have been to many small businesses, seeing young engineers or young business people with five or six exciting, hard-working, young, and old people working in that business, turning it around, making it go, making it start. Of course, that is what makes our country so different.

In conclusion, employment and training systems really must have private-sector involvement. To understand the changing job market whether it be in Illinois or Baltimore or Miami or California, only the people that are there can really understand. I think it has to have local decision. We have in our very basic grammar school program local involvement. It has had the great exciting variations that make for superb and generally good education; unfortunately, sometimes poor education, too.

The private industry council program has 450 different marketing and planning groups each trying to do something exciting for their community. If we had 450 new businesses, you would find some would be eminently successful. Some would survive, and some would do a very poor job.

For once we must have the patience to look a little to the future.

We really are trapped between two foreign systems. We are trapped between a system which is totally centralized which does not work. We are trapped with an amazing competitor which is called the consensus system. I do not think this consensus system is where I would like to live. I think they are very careful. They do long-range planning, and they are able to mix the central government and finance. They have private entrepreneurs. They keep labor. They keep everything all in a consensus. That is not where the excitement of growth and new ideas come. That is not where I think our system belongs.

So, somewhere in between, we must develop this tie. We no longer can have total confrontation. We are in a tough, competitive world. We have got an exciting number of star players and an awful lot of star players that are sitting there being trained and are ready to go into the ball game. We have to give up the concept of continually finding the nasty aspects of a particular program and condemn it. We have to have the patience of looking at the total results of that program and saying generally it was good. Generally PIC marketing offices throughout the country will do a good job. Correcting the ones that didn't is the job of our so-called board of directors, the Department of Labor, to positively help them improve their concepts and ideas.

Those of us who are dedicated to the bold idea of the private industry council think that it will work. Thank you.

Senator **Quayle**. Thank you very much, Mr. Kennedy.

Without objection, your prepared statement will be inserted.

[The prepared statement of Mr. Kennedy follows:]

STATEMENT OF JOHN A.KENNEDY ON BEHALF OF
THE NATIONAL ASSOCIATION OF PRIVATE INDUSTRY COUNCILS
before the
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
JUNE 15, 1981

Mr. Chairman, Members of the Subcommittee, I am John A. Kennedy, Chairman of the Suburban Cook County, Illinois Private Industry Council and President of James Electronics, Inc., Chicago, Illinois. I am appearing before you today on behalf of the National Association of Private Industry Councils, the only national membership organization of Private Industry Councils (PICs). With me today are Michael Griffey, Executive Director, Private Industry Council of Dade County (Florida), Inc., Jerry Baum, Special Assistant to the Director, Baltimore Metropolitan Manpower Consortium, and Robert Knight, Executive Director, National Association of Private Industry Councils. I would like to thank the Subcommittee for providing us with the opportunity to testify on employment and training issues.

We appreciate the sensitivity of this Subcommittee to the importance of productivity in employment policy and its understanding of employers' needs for a productive workforce. This view is similar to the change in perspective which Private Industry Councils have introduced into the employment and training system. As you know, the employment and training legislation of 1973 accomplished two important purposes: 1) it decentralized employment and training programs and provided at the local level the opportunity and responsibility for allocating federal resources in a manner responsive to locally determined needs and priorities; and 2) this legislation decategorized employment programs to some extent, allowing local operators to determine the most effective mix of program services. The National Association of Private Industry Councils supports these features of the employment and training system.

However, the severe recession of 1974-1976 shifted the focus of employment and training legislation to Public Service Employment (PSE) as an economic stimulus. As the economy began to improve, the need became apparent to refocus this system on the needs of private sector employers. Congress recognized this concern and in the CETA Amendments of 1978 established a new Title VII which emphasized the need for involvement of private business in local employment and training efforts and authorized the formation of Private Industry Councils to obtain this involvement.

The National Association of Private Industry Councils shares the concern of the Subcommittee that we examine broadly issues such as those being addressed in these hearings as the Subcommittee undertakes a comprehensive review of employment and training policy for the coming decade. NAPIC also is undertaking a similar review of the policy issues before us. We will be developing input from local -- especially small -- businesses relative to the role of the private sector in employment and training issues. We are beginning this process by encouraging local PICs to discuss a variety of issues similar to those raised at these hearings. We hope to involve a good share of the country's more than 450 PICs -- PICs which include representatives of over 6,000 businesses of all sizes and types.

During the late summer and fall, we will hold regional conferences to which PICs will be invited and through discussion they will develop areas of concensus and areas where additional consideration are necessary. In this manner, we intend to develop bottoms up involvement of the private and public sectors on suggested responses to the employment needs of the 1980's. We will certainly share our findings and conclusions with the Subcommittee and look forward to working with you in a constructive manner.

We have confidence in the effectiveness of Private Industry Councils, and our initial experience demonstrates that this action-oriented, decision-making role for the private sector can improve the ability of the employment and training system to match more successfully the needs of job seekers with the needs of the private sector. It is our judgment that the Title VII record will show that the local public/private partnerships secured through Private Industry Councils do make a difference. The following comments and recommendations are based on that perspective.

As a starting point, we must observe that a strong and vigorous American economy go hand-in-hand with an effective employment and training system. It is appropriate, then, to establish as an objective for this employment and training system that it complement overall efforts to expand the economy and thereby the number of jobs which provide economic self-sufficiency for our citizens.

This observation leads to our conclusion that a primary thrust of employment and training policy should be increasing the productivity of the workforce. Closely aligned with this is the goal of increasing the number of available jobs by expanding the economic base.

From the perspective of Private Industry Councils there are two major participants in the employment and training system: employers are the clients and the labor force -- especially the unemployed -- is the beneficiary. The beneficiaries of employment policy consist of three large and somewhat overlapping groups. First, there are productively employed workers. Second, there are workers whose skills are inadequately developed, underutilized, or in the process of becoming obsolete. Finally, there are unemployed individuals ranging from highly skilled to unskilled and inexperienced and including the frictionally, cyclically, and structurally unemployed.

According to American Society of Training and Development estimates, approximately $30-40 billion is invested in training new or existing employees by the private sector in one year. In short, it is evident that private expenditures on human resource development within the private sector constitute a significant portion of the nation's training investment. Public policy should seek to encourage and expand the occurance of such training. At the same time, we urge the Subcommittee to review the particular problems which small businesses face in providing entry level and advanced skill training. We will return to this point later in our testimony.

It is our considered opinion that public policy and resources should focus on the second and third pools within the labor force, outlined above. This is a population that is essentially dependent and needs outside assistance to help it move into the main stream of our economy. The structurally unemployed by definition have multi-barriers that inhibit their achieving success as productive, full time workers. The barriers they face are not ones that private employers can attempt to correct as a part of their profit making business operation. Rather, it requires federal funds and other incentives to underwrite these costs. Such funds can then be utilized to encourage the private sector to take an active role. Similarly, people in dead-end jobs or the working poor have the potential for upward mobility, but smaller businesses especially often can't afford to underwrite the cost of training needed to achieve a higher skill job. The utilization of federal funds for upgrading both serves to increase the independence of the working poor and to create a job opening that can become the first step on the employment ladder for another individual. Skilled workers dislocated by declining industries or outmoded skills similarly need assistance to equip themselves to reenter the productive workforce.

There are a diversity of strategies that will enable individuals who would not otherwise participate in the labor force to obtain and maintain unsubsidized, productive employment. These strategies include: occupational skill training; education to raise the literacy level of that portion of the labor force who are not functioning at a level sufficient to gain employment; work life training that develops productive and consistent work habits, teaches how to apply for, secure and retain a job and helps people through work to learn to handle relationships with peers and supervisors; and employment generating services that increase the number of jobs. There are many methods by which these strategies may be carried out. NAPIC will address these strategies more specifically as it develops its position, but it wants to underscore now the need for flexibility and diversity in the tools that are allowed to be used.

Successful strategies must have the active involvement of private business. We can not stress this too heavily. This involvement must include both direct involvement in the decisions regarding planning, design and implementation of programs as well as involvement in utilizing the tools and services designed. We need creativity and broad flexibility in developing a variety of means by which such broad participation on the part of private business is encouraged. We must offer a range of incentives that are wide enough and sufficiently enticing that they secure this result. Tools encouraging business involvement in program utilization should include tax incentives, cost reimbursement, purchase of service. In addition, we want to encourage private business to be the deliverer of any of the strategies that will enhance the labor force participation of our target groups. This is particularly relevent to small businesses where the major source of new jobs exists, yet the capacity and resources to meet their training needs are most limited. Above all, let us be concerned with increasing private business involvement and achieving cost effective results.

The early part of our testimony gave strong support to the 1973 employment and training legislation's decentralization of responsibility for allocating federal resources in a manner responsive to locally determined needs and priorities. There is great diversity in our country not only from region to region, but within regions. This diversity includes differences in the needs of populations to be served that may include a heavy influx of refugees in Florida or a large number of laid-off automobile industry related workers in Michigan. The combination of services that will best meet the differing needs of the communities involved can best be identified at the local level. The process for such identification requires a partnership of the private and public sectors. It needs to involve the total community, but the institutions and organizations best qualified to do this will differ from one community to another. Focusing this system at the local level and encouraging partnerships whose participants may differ from one locale to another will deliver the most effective system. The National Association of Private Industry Councils plans to develop more specific recommendations in this area, but it is clear that local control is a source of strength and effectiveness.

In conclusion, we feel that the employment and training system of the 1980's must provide for significant private sector involvement, local decision making, flexibility in design and operation, and must complement the development of a strong economy.

This concludes our prepared statement. We thank the members of the Subcommittee for this opportunity to address these critical issues. We would be happy to answer any question.

Senator **Quayle**. Let me sort of pickup where you left off. Talking about patience and looking at the entire package, you have obviously been involved with training and employment not only from the political point of view but from the businessman point of view and now as far as the PIC's working within the system itself.

Looking at the total package of CETA, the way it is structured, the prime sponsor, subgrantees, we now have title VII with the PIC's trying to get more input particularly from the business community and labor community, has it been a good program? Has it been worthwhile? As we begin down this road to reevaluate what it has done, what has worked, what has not worked, and why, how would you suggest that we pursue an examination? Do you think that overall the CETA program as presented has been a good one or not?

Mr. **Kennedy**. I think the CETA program is merely an extension of the Government's responsibility. I think in many areas it has done a superb job. I think that it probably, as I say, in this changing world requires a change in itself. A change has been made, the concept of no longer developing public service employment. I would agree with that. I certainly believe we should have more public service employment at the local infrastructure. I think there are an awful lot of pot holes in this country. But I think that the local structures are going to make the adjustments for that.

The CETA program, in my opinion, has been successful for when it was developed. It is now going through modification. The idea of looking at the private sector and getting this private sector involved is the No. 1 effort. It is the national need. It is the national need to support our economic structure.

I could go on and on with my personal opinions concerning the educational system, but I am just a citizen. I am talking about CETA. You are talking about CETA. I think CETA is going through a change. I think it can be moved successfully through the use of private-sector information at the local level.

Senator **Quayle**. Do you think that this change should be a national policy shifting the responsibility for training and employment to the private sector where they will absorb that responsibility, virtually changing it from more of a government problem to an industry problem? Is that the kind of change that we are talking about?

Mr. **Kennedy**. Let me have Mr. Baum here make a comment on that. We were talking about that just before we walked in here. You are close to our thinking.

Mr. **Baum**. With your question on tbe success of this effort, I think there are many examples of success. It is an evolutionary process. There is reason to make some changes, but the basic partnerships that have been started are working in many areas very effectively.

In terms of how you measure that, I think that much of it is difficult to subject to statistical measure, where a great deal of the emphasis has been placed. The human individual who moves out of a history of failure and through training succeeds in getting a permanent job, will find that a tremendous difference has been made in that individual's life. Similarly, there is a significant difference to the community generated by the success that one can through economic development achieve for individual businesses.

I think to get out around the country as this committee is planning to do, which, hopefully, will give you the opportunity to look at some things that are specifically taking place, seeing the experience rather than judging it statistically, is a very important complement to the statistics.

Senator **Quayle**. What I am trying to see is the change, the transition. I am talking about the potential assumption of responsibility by business and industry of the employment and training aspects. In the past it has been generally conceded that until title VII came into effect that it was basically a government responsibility. It seems to me that we are going in the direction, properly so, in this administration that what we are talking about is an industry concern, an industry problem. You are not going to eliminate government's role totally, particularly in providing statistics and maybe in the market analysis.

What I am trying to do is to get a philosophical grasp of a kind of evolutionary process that we ought to be seeing taking place in our training and employment system.

Mr. **Baum**. I think there are two parts to that. In terms of the role, as Mr. Kennedy said, the government has played a role in education and training historically. I think we feel that, in terms of the client groups that Mr. Kennedy referred to, the productively employed, some of whom have outmoded skills and need retraining, the employed but underutilized, and those with multibarriers toward getting permanent jobs, the cost to business of providing the necessary training is a cost that they are not equipped to bear. So, there is a role for the Federal Government in providing resources toward making those people and those groups productive, stable employees.

The implementation of that, again as Mr. Kennedy said, I think the ability to make decisions at the local level, where the problems can be identified and the solutions structured—and there are great differences among communities—make excellent sense.

The flexibility of who fills those roles, I think, can also make a great difference. In some areas business may be well prepared to step in and assume a major role. In other areas, business may be less prepared to do that.

Mr. Kennedy referred to a toolbag. I think that is important also in the variety of strategies that one can use in a community, that there be a whole host of tools that the community can utilize and work out what division or complement of responsibility will work best. Certainly, industry should have the opportunity to play a very strong role but not necessarily mandated federally.

Senator **Quayle**. What kind of—I guess I can use the word—incentives could we afford to business that would entice them to assume some of the costs that would go along with the training?

Mr. **Kennedy**. Let me comment. Let us take the school board concept. The best kind of communities are the communities that get a varied group of people on the local school board. We try to get a cross-section of people who are worried about the various aspects of the grammar school and the high school education. Our junior college and our senior college programs in most States are not that close to the real world. They do not really have a community feel.

Let us assume that some PIC's are even going to be so imaginative they will work very closely with their junior college and college system. They will talk in terms of the real world and what their community needs. They become to some degree the technical school board for junior colleges. They have through the CETA program leverage in that they can well support a number of programs. They are the marketing arm. They are looking at what is needed.

We have one company that is moving into our area that is going to put in a large laboratory, a medical laboratory near O'Hare Airport. They will need 75 to 100 trained laboratory technicians. It happens to be one thing that is very short in our community. We have now developed with two junior colleges programs for classroom-size development of lab technicians, at least at the lower level. We are working with an employer coming in from another community to put his second facility in with trained local employees.

Now, I am sure, out of that new organization we will get somebody to come on our private council and perhaps help someone else. Anyone who is running a for-profit business knows the importance of the productivity of its employees. We need somebody in Torrance, Calif., in a job that you would think that there are dozens and dozens of people around there, but we have struggled getting applicants. I am now going to try to get somebody out of the Chicago market and send them out there.

These are the continuing struggles of trying to make a business productive. This goes on every day in every business whether it be a small drugstore or whether it be a large factory like General Motors.

I think that if we can somehow or another get the businessman to think that those programs can work. I was sad to hear that man speak this morning of his frustrations and that he would never do another title VII program. I know how this happens. It is the kind of bad experience that probably will influence 50 or 70 skillful business people in the central area of Ohio who will say: Well, look what happened to my friend. We cannot be constantly saying there's government and we are business; government is the very heart of our educational and our social system.

Mr. **Griffey**. I would like to amplify, in terms of his remarks, two areas that are critical and that we have to look at in terms of how we get employers involved in the process. One is the decision-making process in terms of how programs are structured on a local level, that in fact they have a feel for and are part of structuring the design of those programs to meet their needs. That can have a lot of offshoot benefits. They can then see a mechanism how they can do that on their own in many instances, and I have seen that happen. Employers have gone out and started their own summer programs simply because they have now learned the mechanics because someone has helped them do that but, more importantly, to structure the programs from a governmental standpoint that are going to impact on their employees.

Second, it is the whole range of incentives, tax incentives, wage subsidies, and offsetting of training costs to them that essentially will augment the costs that they are already expending to train workers but can be directed to people who may be harder to employ, that have other barriers to getting into the work force. If you can utilize Federal resources to offset those, not just Federal resources in the sense of CETA programs but employment service, vocational education, in fact you can bring those together to augment what employers are doing, they are going to be much more receptive to get involved. We have seen that in Miami happen very successfully.

So, it has got to be a combination of both decisionmaking and financial incentives.

Senator QUAYLE. I have one final question. Under the present CETA law, a specified amount of moneys are allocated to title VII. Do you think we ought to continue a mandate of some sort to make sure that the PIC program is adequately funded? Or do you think we should allow that decision to be made at the local level? Would you have any comment on a Federal mandate?

Mr. KENNEDY. If I were boss of the whole thing I could give you my direct opinion. It would be like a whole series of processing plants. In some plants the marketing arm is really on the ball and knows what it is doing. Each processing department needs a marketing orientation, and they had better all work for the marketing end of the business. In other cases, a really superb manufacturing operation, with good sensitivity of the marketplace, should be, in charge. This again requires using talents at the local level.

I could not specifically tell you how the Federal Government could restructure this total program. I think the most important thing is that the Department of Labor should go out and examine experiences within the relationship of CETA, title VII and other titles. It should do it on a positive basis, not on a negative basis. It should attempt to see the creative differences. Believe me, my relationship is different than Mike's and Jerry's. Some are terrible. Some are superb. Most of them are working.

I do not think we could sit here in this formative stage, where we say we want private-sector marketing input into Federal training programs and create a single criterion. You are never going to know it unless you go out and examine the market yourself and see what PIC's are doing. Do it objectively, not trying to put nice, neat little numbers, not trying to be an accountant.

The difference in these communities is the most unique part of our country. I do not think at the Federal level you can yet generalize. I would like to see a flexible program. As it develops over the years it is going to find its own pattern, particularly if the prime sponsors themselves get the feel of what is trying to be accomplished by this whole program.

Senator QUAYLE. So, if you had your druthers, you would just as soon not have that mandate?

Mr. KENNEDY. Yes; I think that limits what happens.

Mr. BAUM. I think that is a very important question. We have started a process of exploring with both member and nonmember PIC's a whole series of questions of which that is one, in terms of what will make the most effective system. In some areas where there have been difficulties in the relationships between prime sponsors and private industry councils that mandate has been an effective tool to get people to work together.

How it should be structured or whether it should be changed, we really would like to come back after we have had a chance to study it further ourselves.

Mr. KENNEDY. That is right; as an association.

Senator QUAYLE. OK, I will look forward to that answer. Thank you for your continued cooperation. Thank you for your patience today and your input.

Mr. KENNEDY. Thank you.

Senator QUAYLE. Next will be Mr. Carl Struever from Baltimore.

STATEMENT OF CARL WILLIAM STRUEVER, MEMBER, EXECUTIVE COMMITTEE, BALTIMORE METROPOLITAN PRIVATE INDUSTRY COUNCIL

Mr. STRUEVER. I am a small general contractor and developer from Baltimore. I would like to join in with Mr. Kennedy in thanking you for the opportunity to talk a little bit about some Federal programs that work and look a little bit at our experience in the employment and training field over the last few years.

We have been in the business a long time. As a little guy that has not been involved in politics a whole lot, I am constantly amazed that in the name of cost effectiveness and efficiency we routinely seem to throw out this tremendous wealth of effort and expense that goes into setting up a program and a series of programs. CETA is one example of many that we are looking at today. The people that have gone into those and the talent and the people that are caught in the process of those programs all seem to fall by the wayside.

I think it is excellent that people like you are taking the time out to take a look at what is going on, travel around the country, talk to little business people like myself. I hope you get a chance to actually get out on the streets and talk to some of the trainees, employees actually involved in the training programs, shake their hands and talk to them about what is going on. That is the only real way that you can get a feel for what works and what does not work, which is what we are all about. We all agree that the general goal is create jobs, Reagan says that, and there is tremendous support for that. That is where the future is: create jobs, productivity, fight inflation. Wonderful. How do we best do it?

Baltimore is a great place to start. It is always fun to hear that the International Federation of Housing and Planning Officials, 20,000 planning people and public elected officials from around the world, when they are looking for an example of where public programs do work in helping a distressed area get back on its feet, will look to Baltimore as the stellar example of what to do. Tomorrow, for instance, I am entertaining a group of 20 business people and planners from Holland in Baltimore's Cross Street Market. We are going to have oysters on the half shell. We are going to show them around some of the CETA training programs and economic development programs in the neighborhoods of Baltimore. So, a lot of people are looking.

We are telling them that the basis of this success is the partnership that we talk about between the public and private sector. The private sector is, on the one hand, business people like myself and in Baltimore, very importantly, little business people as well as the big-time guys, and neighborhood people. There is a very effective series of community groups, community leaders that have worked together with business people pulling things together. There is strong local elected leadership. Mayor Schaefer, who I am sure you know of, is a ball of energy and very important to this whole partnership.

Also, there is the use of Federal and State funds. You are our money partners here in Washington and a critical element of our partnership. We have in the last 10 years developed literally dozens of neighborhoods, both in terms of residential construction, and neighborhood shopping areas, and downtown: the waterfront, Harbor Place, the National Aquarium, World Trade Center are well-known. They are great places to go and a lot of fun.

We have some success. We still have some problems. We have serious problems. We have 50,000 substandard housing units. We have a black unemployment rate in Baltimore of 20 percent, a black teenage unemployment rate of 40, 50, or 60 percent, depending on who you want to talk to. It is a terrible situation. But the important thing is that there is a spirit. The city of Baltimore is on the move. Things can happen and will happen.

Not only is Baltimore a good place to be today, but it is going to be better tomorrow, whether you are a businessman looking for a place to locate an office or open an ice cream parlor or whether you are somebody who is looking for a place to live. This spirit is now jeopardized by what is going on today.

Baltimore is losing $350 million in purchasing power next year due to Federal funding cutbacks. More seriously, not only does that affect particularly the poor people of Baltimore in terms of jobs and services and everything from housing, education, to school lunches, but, more importantly, the manner in which that is being done through rescissions and deferrals. Public Service Employment is the best example. Nationally we gave virtually no notice to 300,000 people that were in the midst of training programs that they were on their own either to find another job or to go back on unemployment insurance or welfare. In Baltimore the number was 3,000, truly a tragic thing for people that we had spent money on, good taxpayer money on, saying: we want you to be a productive part of the economy; and talking to the business people involved, that we want you to be in partnership with us on restructuring this economy. Then to pull a quick thing like that certainly destabilized not only the relationship with business but the relationship with the people, the many disparate peoples that make Baltimore what it is today.

Given the loss of funding both for training programs and the general tight economy in Baltimore, it becomes ever more critical to use what existing resources we still have more effectively.

One of our first goals in Baltimore's Private Industry Council has been to coordinate economic development with training programs. It is ironical that, when CBS national news came to town to talk about the PSE layoff, of 3,000 people, they ask "why don't private businesspeople like myself, who appear to be flourishing and renovating all these great old buildings, why can't we just hire these people". We find it distressing in that programs that have helped businesses like myself get going, are also being cut. When they came down to interview us, we were on a project that had been funded by UDAG in part, the majority by private money but part by UDAG and that is what made it possible. Our tenants in the project were small businesses, two of which had been financed by the Small Business Administration. The very programs—the Economic Development Administration, the SBA, UDAG—you can go on and on, that have helped us grow and new businesses get started and hire people are disappearing, too.

So, you have to look at the employment and training picture in this context.

What works in economic development is the following. Baltimore has a long list of financing programs, State, local, and Federal, which are an extremely critical part of economic development, particularly for small business. I remember back when interest rates, the prime rate, was 8 percent. People say: well, interest rates will go down, and we'll be all set. Unfortunately, back then businesses like myself still could not get loans.

Thus, there is a role for the public people in financing as well as site preparation, infrastructure improvements—roads, sewers, utilities, et cetera—and support services, such as sanitation, and police protection. What does not work: tax incentives. Virtually every major study that I have seen from the Birch report to the Roger Schmenner report from the Harvard/MIT Joint Center for Urban Studies, and the study from North Dakota that showed that only 7 out of 125 businesses that use the State's 5-year tax holiday for both income and property taxes that came to the State, only 7 of those figured that that tax break was a major influence on their decision. It is not a very effective way to use public money, particularly for small business.

People like myself are more concerned about meeting our payroll on Friday, how we are going to finance the house we are trying to renovate, how we are going to find a tenant who can get financing to go into the next building we are going to renovate than about a 10-year carry forward of losses. We need money today; not tax breaks tomorrow.

That is one of the big problems with enterprise zones as they are being suggested now. It is a fine idea in a general sense, but, in terms of the overall picture and standing by itself, it certainly is by no means the panacea for urban problems. We need all those other programs that you have been helping us with over the last decade.

I mention this when we talk about economic development and employment and training because of the importance of tying those things together. You have got to get jobs where the people really need them in the places where those people are. UDAG is a good example of a program that has successfully done that. HUD writes it right into the contract. If you want this loan, this great 1-percent interest loan over 20 years, you have got to agree to hire 10 percent of your people or 15 percent of your people, whatever particular situation may make sense, and participate with training programs, whether it is a CETA-funded OJT program, skill training program, or whatever. If you want priority on this public economic development benefit, you have got to provide jobs and get the jobs to the people who need them.

As an example in Baltimore, the PIC funds two loan packagers for the neighborhood business revitalization program, which is a pool of $43 million from local private lenders, SBA funds, and a State and local small business loan program. Over the next year, we are projecting that these two people will help businesses getting started hire 100 CETA-eligible people. Certainly, that is a good way to spend $50,000 of public funds and a very targeted way of doing that.

There is an excellent potential of improving that tie-in between economic development and job training. Roger Schmenner in his report conducted for Harvard/MIT studied 410 large businesses that had 18,000 manufacturing sites across the country and found that an astounding 76 percent of those plants felt that a favorable labor climate was a must when picking their new site, far and away above any other factors.

So, when you look at programs that can help provide plentiful supply of skilled workers targeted for particular businesses coming into the area, you have all kinds of potential there. Schmenner goes on to talk about economic development policy in the Southeastern United States, where they do just that. They have customized job training tied right in with the whole effort to bring new businesses into the Southeast. So, CETA and economic development work very well and effectively together.

The public role does not have to be directly targeted toward private business investment either. We have seen this in Baltimore, where you have indirect effects through the public service employment [PSE] program, where thousands of people were placed with nonprofit institutions in the town and put to work doing all kinds of things that were never done before. You had jugglers and mime actors performing for a neighborhood art circus in 100 communities around Baltimore. You had a vacant primary school that was renovated and converted into a community center for the arts. You have had the Culinary Arts Institute. You have had virtually every museum, gallery, theater, and charity in town with CETA staff working, providing services that were not there available before and rat control, truancy control, working with prerelease people from the prisons, all kinds of services provided by PSE employeesa created a tremendous range of efforts aimed at improving the environment in Baltimore and making it a more attractive place for businesses like myself to come to town and do important things in terms of creating jobs. It is very, very important.

So, even though those public service jobs were not directly tied to what I was doing, they were directly tied into my ability to attract somebody like James Rouse into going into a project with us in Baltimore and to attract somebody coming in to buy one of the houses for renovation. It is very important.

CETA and public service employment has been effective. I am sure you have a copy of Laura Morlock's study from Johns Hopkins University where 1,700 PSE workers were from 1971 to 1978; 78 percent of those people after 2 years were in unsubsidized permanent jobs. After 5 years only 6 percent of the sample were out looking for work. That is a lower rate than the unemployment rate for Baltimore as a whole was at the time. So, it has been effective.

While we should continue this improvement of CETA programs, I am the first, having gone through all the headaches and the problems involved, to say that there is always a need for improvement, a constant need. I think that is one of the things that Mr. Kennedy was talking about. This public/private-sector partnership can play a key role. The public sector, on the one hand, sets the general goals: You don't pollute, you conserve energy, you provide jobs for the people who need them, you don't discriminate, you provide safe working conditions, and so on. At the same time, the public sector provides the incentives that makes it possible for entrepreneurs and businesspeople to most effectively meet those goals. So, in this partnership you are using the strongest elements of both parts of our economy in the most effective way.

For example, in the Baltimore PIC, which is the private sector end of this partnership, we had a builder that saw in a training program that the trainees were working on a jobsite without their own tools. This builder knows that carpenters in particular and most mechanics in general are expected to have their own handtools and therefore jealously guard them. They do not want them ruined, lost, broken. At this CETA training program borrowing tools caused quite a bit of tension. So, here is the role in here that we as private business people can play in this partnership and say: Well, we think it's a good idea to provide as an incentive for successful completion of a certain part of this training program tools for this trainee. It is a good idea. We put it into action.

At the same time, we saw that the local CETA consortium was looking at, as far as judging the success of training programs, 1 week after the end of the program and 1 month later for job placement retention to see whether that training program was a success. We, the PIC, said no way is that an accurate measure. Out in the real world when we hire people we build into the arrangement when we hire them a trial period to see how it works out. In 1 week, sure, they may be employed. But what happens 1 month or 6 months down the line? That is the real measure of whether a training program is a success. Therefore, our PIC has set up a program where we look at our training programs 6 months and 1 year down the road to see whether it is successful.

It is very important for the PIC to set an example for the rest of the business community. As such, one of the first people that we hired was a gentleman named Oscar who had been in the Jessup State Prison for 8 years. He was in a prerelease program. We put him to work as a laborer. Within 6 months, just by sheer enthusiasm Oscar had worked himself into a carpenter helper's position. And I can't say the joy of what it was to see this person who had never had a job before, who had been in all kinds of trouble before with his family and with the rest of society, the satisfaction of seeing him learn a skill from this carpenter named Bob, a Scotsman, who had never before spent the time with any of our other employees, to teach the little tricks behind the method of his skills.

So, this working together was a joy to see. At the same time, I must be quick to point out that we would not have done it on our own without OTJ training subsidies or skill training subsidies. For small businesses in particular, this training is just too expensive. Bob gets, with fringe benefits and payroll overhead, $17 an hour. When you are first starting out with a guy like Oscar, he probably loses half of his output, to say nothing about the lost output that Oscar, who is just learning his job, just is not turning out. It is tremendously expensive. It has a multiplier effect when you start adding equipment being used and so on.

Training is a long-term investment that all of us need to make, but that little guys like us just cannot afford to make on our own. I agree with David Birch from MIT that small business is where the action is, in terms of creating new jobs, but we need help in getting those jobs to the people who really need them.

What we need to do today is not look at less training but how to provide better training. CETA in many respects can then be looked at as a more productive investment in our economy than, for instance, the business tax investment credit. It is not a purely consumptive investment such as food stamps.

Examples of how we can make job training better and more effective are these: Davis-Bacon is one of the pet things you hear a lot about now. Under Davis-Bacon we are required to have three journeymen like Bob—it is $17 an hour that we end up paying him—for each apprentice that we have on the job. It is tremendously discouraging to training people and discriminatory, particularly to the hardcore unemployed people. Bob and Oscar work very well one on one. Also, it is hard to become an apprentice certified for Davis-Bacon by the Department of Labor. A good example is CETA funds from the Department of Labor pays for the new shelters program in Baltimore. New shelters, using CETA workers, renovate beat-up old townhouses into low-cost public housing. It costs $10,000 per person. We have hired a couple of people—James Forrester is an electrical apprentice—through new shelters and put them to work unsubsidized. And then we find out that we cannot accredit him as an apprentice because there is no nonunion apprenticeship program available to us at the time in the city of Baltimore. So, we are out of luck.

There is the U.S. Department of Labor on the one hand saying essentially: Don't hire this guy. On the other hand, it is spending $10,000 to give this guy a chance. There are lots of problems there that could be fixed.

To keep training programs efficient you have got to maintain local control. You hear this a lot. Local control means don't channel the money through the States. The innovation, the success in Baltimore has been the flexibility of this partnership at the local level. Please don't lose that.

You have got to be close to what is going on. When I was first appointed to PIC, I visited a number of job training sites. I took a day off from work and went around and visited half a dozen job sites, talked to the trainees, talked to the employers. There was a car mechanic, a TV repair guy, a short-order cook, and I was all very much impressed by what was going on. This is the only way that you really can get a good idea of what works and what does not work.

I would suggest that, if you have a chance, come and visit Bob and Oscar while they are working on a storefront, a beat-up old place and see it turn into something of a work of art.

Baltimore is working. It needs your help, Federal help, if that momentum and confidence are not to be lost. If it is lost, the tremendous energy and effort expended over the last few years will be much harder to recreate and the enthusiasm will be gone. All I cn say is there are a lot of unemployed people out in Baltimore. It is going to be getting worse. Once that spirit is gone, the despair and the frustration are going to make it impossible to put it together again. So, let's not throw all the stuff out that we have been putting together over the last few years out of the window.

Those are my comments.

Senator QUAYLE. Thank you very much.

Without objection, your written statement will be inserted into the record.

[The prepared statement of Mr. Struever follows:]

Testimony before the
Committee on Labor & Human Resources
Subcommittee on Employment and Productivity

By: Carl William Struever

All Americans - business people, neighborhood people, whites, blacks - can join together in heartfelt support for the President's top priority goal of creating new jobs so that all that are able to work can work. A job is the single, most effective way that a man or woman can build self confidence and thus achieve a productive, independent livelihood. A job enables each to cope with the host of other problems facing us today - housing, medical care, education, and food and nutrition. Conversely, unemployment extracts a devastating toll - not only from the idle workers, but from their families and friends.

The President's focus on jobs is excellent. The question is whether his economic strategy, even if it is generally successful at stimulating private sector growth, will create jobs where they are needed and for the people who really need them. Unfortunately, the answer, at least for the short term, may be no.

Baltimore, a city who's sparkling revitalization over the last ten years has won acclaim around the world, is a good case study for employment policy. The driving force behind the city's renaissance is a successful public-private sector partnership between a well organized business community and enthusiastic neighborhood leaders under the driving, creative leadership of the local government using funds from State and Federal agencies.

Over the last ten years this partnership forged a well balanced, comprehensive redevelopment effort which renovated housing and small shopping areas in dozens of neighborhoods as well as created a new, exciting downtown and harborfront. Today the Inner Harbor, once Baltimore's smelly embarassment, is the city's stellar attraction with its World Trade Center, National Aquarium, Convention Center, and the wonderful collection of colorful shops and restaurants at Harborplace. Most

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Bill Struever is President of Struever Bros. & Eccles, Inc., a small Baltimore general contracting and development firm specializing in renovation. Bill is a member of the Executive Committee of Baltimore Metropolitan Private Industry Council, the Planning Council of the Greater Baltimore Committee, and the Mayor's Small Business Advisory Council.

important is the new spirit of its residents where Baltimore is loved as a great place to live that is getting better.

It is this confidence and conviction that the city is on the move that holds its people together despite severe problems. Over 50,000 dwelling units are in a substandard condition despite one of the finest rehabilitation programs in the country. More critical is the black unemployment rate of 20% and the black youth unemployment rate estimated at well over 40%.

However, the recent Federal cutbacks threaten this positive momentum and jeopardize this unity of spirit. The Baltimore partnership is losing its Federal partner which played a key role in virtually all successful projects. In the next year the city's economy will lose $350 million in purchasing power. The poor will lose both jobs and services in everything from schools, to health care, to food stamps, to school lunches. Worst than the cutbacks in funding themselves is the drastic means by which they were accomplished through deferrals and rescissions in the fiscal'81 budget. With virtually no notice the U.S. government terminated 300,000 CETA Public Service Employees across the country in the middle of their training programs. Three thousand workers in Baltimore alone received a one week notice to find another job or go back on welfare and unemployment insurance.

In the face of this crisis of confidence the Baltimore partnership must look for even more effective means to use existing resources: We have a bigger task and less funds to achieve it, so we must be efficient. Therefore, in a shrinking economy with fewer employment opportunities Baltimore is focusing on economic development and the creation of new jobs; the best job training is for nought if there are no jobs for the successful trainee. Our city has a good experience in a balanced program of public incentives to private business development such as financing assistance, site preparation and construction of public infrastructure improvements such as roads, sewers, and utilities, and other support services such as improved sanitation and police protection.

Unfortunately, Federal economic development program funding is as hard hit as employment and training funding. Programs that have proven track records in leveraging private investment such as the Economic Development Administration and Urban Development Action Grants will be gone. Virtually all Federal economic development financing programs - from the Small Business Administration to 312 renovation loans - are being eliminated and will no longer play a vital role in helping new businesses get started.

Thus, it is ironic when CBS News comes to talk to a general constractor like myself as a businessperson active in the city's revitalization and asks why we won't hire some of the 3,000 CETA workers recently laid off. We need programs like EDA, UDAG, and SBA so we can continue to grow and expand and create opportunities. Businesses like mine are just as effected as the CETA workers themselves.

Enterprise Zones, which are the only new urban economic development iniative being suggested, simply won't be effective without the other financing, physical improvement, and support service programs. All experience in economic development clearly indicates that tax incentives, which are the sum and substance of Zones, are not a major attraction to new business. Small businesses, which create the majority of new jobs, don't make enough money in the first few years to even have to worry about taxes.

So the partnership must evaluate the most cost effective means to use remaining economic development dollars, such as Community Development Block Grants, to stimulate private business growth. Given the limited economic development dollars remaining, this effort must be targeted on those businesses that will create the most jobs for the people who really need them - the CETA eligible, hard core unemployed.

The Baltimore partnership is creating a tight coordination between economic development and critical employment and training needs. On the one hand the business that creates lots of low-level jobs that are accessible to unskilled workers gets top priority on low interest loan funds or an attractive city owned industrial site. On the other hand, that business commits to train and hire a certain percentage of CETA eligible workers. To make the connection work, On The Job or skill training subsidies, pre-screening of job applicants, or Targeted Jobs Tax Credits may be necessary to offset the increased costs of hiring CETA eligible workers.

A specific example of this economic development linkage is the Neighborhood Business Revitalization (NBR) Program. The Private Industry Council (PIC), which is the business member of the public private partnership and is funded under Title VII of CETA, employs two loan packagers that coordinate financing assistance between the SBA, a city loan program, and a $43 million private lender loan pool for new and expanding small businesses. At a cost of $50,000 in salaries, the PIC loan packagers will generate 100 new jobs for CETA eligible workers in one year.

This close connection between economic development and employment and training activity promises bigger payoffs in the future. A recent study conducted by

Roger Schmenner for the Harvard - MIT Joint Center for Urban Studies surveyed 410 companies owning 18,000 manufacturing sites to determine the implications for public policy of location selection decisions of large firms. An astonishing 76% of the plants listed a "favorable labor climate" as a "must" in choosing a new plant location. A good supply of skilled workers or readily trainable workers becomes a critical factor that is more important than tax abatements and other economic development tools in attracting new business. Schmenner goes on to describe the successful use of customized pre-employment skill training as part of a successful economic development strategy in the south eastern United States.

This linkage between economic development and employment programs shouldn't be restricted to direct private business assistance. A key element of Baltimore's revitalization strategy was the creation of an exciting environment in the city. A top notch symphony, a good museum, a fine gallery, or a bright and sparkling shopping center like Harborplace can be more effective in bringing a business to Baltimore than a reduction in capital gains taxes and a low interest SBA loan put together. As Schmenner said in his study, livability can be an "awesome competitive advantage" in attracting business.

With this goal in mind, Baltimore placed CETA funded workers in dozens of non-profit institutions to provide services that never were available before. CETA workers trained as jugglers, clowns, and mimes and created the Neighborhoods Arts Circus which performed to the delight of young and old alike in 100 communities. The Port City Jazz Band provided the beat for many a city festival. CETA workers renovated a vacant, Victorian elementary school and staffed it as a community arts center with a gallery, craft workshops, and studios for artists. CETA workers were the life blood of the City Fair which draws two million people together on one weekend in the Inner Harbor to celebrate the city's new life. Every gallery, theater and charity in town had a CETA person building exhibits, scheduling events, or planning fund raisers.

This creative, well managed CETA program not only was an integral part of the city's revitalization strategy but was also effective at getting the hard core unemployed a start in the job market. In a study of 1,700 of these CETA workers from 1971-1978, Laura Morlock from Johns Hopkins University found that 78% had jobs in the regular labor market two years after the end of their CETA training. After five years only 6% were still looking for work - less than the percentage unemployed for Baltimore as a whole.

To continue to improve employment and training programs and the coordination with economic development activity, private sector participation in this partnership must continue to expand. Business people can play a valuable role not just in setting the number of workers required in a particular trade but in planning the whole training process using experience from real job situations. For example, a builder on our PIC observed that carpenter trainees were working on a job without their own hand tools. Since carpenters are expected to provide their own personal tools and jealously guard them, this was a source of conflict between trainees and the journeymen. The solution was to help the trainee buy tools as an incentive for successful completion of a part of his training course. Another PIC suggestion was to judge the success of a training program not just by how quick a trainee found a job but by whether the trainee could keep the job for a length of time. Hiring in the private sector was often on the basis of a trial period. The PIC therefore established a policy of monitoring trainees for up to a year after the completion of training.

The PIC also saw the need to set an example for the rest of the business community, and so it encouraged members to participate in CETA programs. One of my first trainees was a convict from the Jessup State Prison on a pre-release program. Oscar, who'd been in jail for eight years, started out as a laborer. At the end of six months Oscar had upgraded himself to being a carpenter's helper by shere enthusiasm. It was a joy to see Oscar, a black who had never had a job before - a complete dropout - working right behind Bob, a 55 year old Scotch craftsman who had never taken the time before to show anybody the method behind his skill. Before your eyes you could see the self confidence and respect grow in Oscar as he established himself as a talented, productive member of our society.

For all our success as a private business in job training, I must be quick to point out that I couldn't have and wouldn't have done it alone. Including fringes and payroll cost we pay Bob close to $17/hour. With the time that he loses while showing Oscar what to do - particularly in the early part of his training - plus the time Oscar loses because he is still learning, this type of job training is just too expensive to do seriously without an On the Job Training subsidy or pre employment training for Oscar in a publicily funded program to get him started, or a Targeted Jobs Tax Credit. Particularly as a small business person - and I agree wholeheartedly with David Birch from MIT that we are where the action is in the economy today - we can't afford to look one or two years ahead to when Oscar will be skilled enough to be fully productive without public incentives to help us in the meantime.

Public employment and training programs are necessary. Given that there are fewer dollars to pay for them we must take advantage of our public-private partnership to use those funds more efficiently; we need better training not less training. Even though many CETA programs have been good, we can make them better. For example, the U.S. Dept. of Labor goes to some expense to train and place people like Oscar and the U.S. Dept. of Housing & Urban Development requires UDAG recipients like myself to hire people like Oscar. However, the U.S. Dept. of Labor also makes it difficult for contractors on Federally funded projects. Davis Bacon wage provisions, by arbitrarily establishing a ratio of three highly paid journeyman to one apprentice (Oscar and Bob work great one on one) and by making it cumbersome to get permission to pay trainees as apprentices, can severely restrict training opportunities.

Another inefficency that can be prevented is simply by not routing reduced CETA funds through the state bureaucracy to localities like Baltimore. Local iniative and control is essential to the success of the public-private partnership. The creative employment and training concepts that have proved so effective in Baltimore is a product of tailoring programs to local needs. Adding the state government to the process is bound to add to red tape and inequities between communtities competing for funds.

If the Federal government takes away the bulk of employment and training funds and fails to improve the operation of remaining programs, cities like Baltimore really will have a disaster on their hands. Flexibility is critical. Only by close contact with functioning training programs can we learn from our society's years of experience in the training business.

When first appointed to the Baltimore PIC, I spent a day going around town to talk individually with trainees and their employers. From listening to their problems and seeing them at work - whether as a car mechanic, a bookkeeper, a carpenter, or a short order cook, - only then could I begin to understand the wonderful but difficult and complex process by which a disillusioned high school dropout can learn a skill and become a productive independent member of our society. The glow of confidence and pride as hope dawns in their eyes as they begin to see the polential of the future is a joy to behold.

I applaud this committee's efforts in traveling around the country to hear first hand from business people like myself our experience. I encourage you to take the next step and come to one of the beat up, broken down buildings that we are renovating and see Bob and Oscar take a rotten old storefront and create a work of art. Baltimore is working with your help. You're our big partner in the Baltimore partnership, providing the UDAG's and SBA loans so firms like mine can grow and the CETA training, so people like Oscar can get a start. If we lose your help Baltimore's forward momentum is jeopardized, and once that momentum is lost, the confidence and spirit that is the city's new foundation will be far harder to recreate again. Promises can only be made so many times before the partnership is torn asunder by distrust and despair. Without the partnership holding disparate peoples of the nation's ninth largest city together, we face social upheaval and chaos that threatens our very way of life.

Senator **Quayle**. I wonder if you could just summarize briefly what would be the biggest incentive in helping the small business to assume more of the responsibility on the training aspect, training and employment. Are we talking tax incentives?

Mr. **Struever**. Again the connection here with economic development. We would love to be involved with training. But, if we are not growing, we cannot do a thing.

Tax incentives for us—and, I think, not only for small business but big business, too—just have not been that effective. The targeted jobs tax credit, I think, is a good example. It just has not produced a lot of results. What we need in the short run is money, cash, to keep going. This means cash in terms of financing the projects we are doing, new capital equipment, short-term working capital, inventory loans, venture capital. It means cash in terms of payroll subsidies through on-the-job training.

Financing is tremendously attractive as an economic development tool. Our NBR loan packagers go out and talk to small businesses looking at opening a new manufacturing plant, for example. They say: Well, we can offer you this great loan with low interest rates to open up, but at the same time we also can offer a 50-percent subsidy of wages for your people that you are training for these new machinist jobs there. That really talks to them because this money is available 3 or 4 weeks from the time that these people are paid, not a year or April 15 or the next April 15 down the road.

Things that people can see right away are very, very important. So, that is what I would say is the need to put the incentives right up front, at the same time to tie the incentives to training requirements. Even for the people with the best of intentions and aware of general unemployment problems, you need to tie the carrot of economic development incentives to the public need of the extra effort required in training the hard-core unemployed. There is extra effort involved in getting jobs to the people who really need them.

Senator **Quayle**. Thank you very much. Next is Mr. Thery. Please proceed.

STATEMENT OF WILLIAM THERY, PRESIDENT, T & K SPECIALTY PRODUCTS, INC., RACINE, WIS.

Mr. **Thery**. Thank you very much for inviting me here. I am pleased and honored. My name is Bill Thery. My company is T & K Specialty Products of Racine, Wis.

T & K Specialty Products is a small machine shop that does work for other companies. We are about 14 years old and growing rather steadily.

I think I should first point out who I am not. We are not a big business by any means. We are not international. We do not hire thousands of people. We do not even hire hundreds of people. We are a small business. We presently employ about 21 people. I have had as many as 35 people, but due to the economy right now we are down.

I am an enthusiastic supporter of the concept of employment and training programs. I have been involved in the past in a number of programs such as a program for veterans, the disadvantaged hiring, WIN programs, and hiring youth through the intern programs from the schools. We have been involved with hiring minorities, disadvantaged, welfare recipients, handicapped, retarded, alcoholics, ex-offenders, et cetera. We have hired 71 people in these categories in all; 10 are still with us.

The success of these hirings is not necessarily with the kind of people that have stayed with me but probably with what the people that did spend some time with me took with them when they left and went on to other businesses. They came with probably nothing at all to offer, and they left with a little bit or a lot of background in machining, blueprint reading, things of this nature. It surely had to help them in their seeking jobs down the line.

This business of mine, I believe, has been used as a stepping stone for these people. It has worked out very well and made productive taxpaying citizens out of a number of people.

The local Private Industry Council has been very active in our area, our three-county area of Racine, Kenosha, and Walworth Counties. It is my understanding that they have had 170 different companies in these programs in this area. The success of my company and other companies like mine, I am sure, is going to draw more people into these programs.

One of the first things I think we should keep in mind is that small businessmen are very mercenary. They are into it for making a buck. If we lose sight of that, we are going to lose sight of the whole program. They want to fulfill some goals, some dreams that is what made these businesses start; if we can work together with these training and employment programs, it is going to work, for the good of all.

We have a limited amount of resources. We cannot compete with big business. We have not got the benefits, the vacation times, the plush environments, and so forth that big business offers. Consequently, we are very competitive. We have to watch ourselves very closely.

The Government programs can help in a variety of ways. Financial help is very important but not all-important. If they interfere with our normal way of doing business, we, of course, cannot handle the program. We just do not have the wherewithal to make it work. We have to be provided with people that are job-ready. They have to have the initiative to work. They have to have some incentives to work, to get off of welfare. I believe it is better to spend our tax money on employment training programs than on welfare.

They have to know some basic skills. We need more than just a warm body. People with the basic aptitude for our line of work, of course, can be provided by these local agencies such as the Private Industry Council.

We have to have people in our area that are knowledgeable of what our needs are. Working with business people is a big help. They know how we operate. In the case of my company, my secretary and I doing everything. We do not have departments and individuals who are there to take over whatever would be necessary to make one of these programs work. We have to get involved personally. Consequently, it is distracting us from other things. If these programs get too involved, we just would not have the time for them. And this, I am sure, is the case with most small businesses.

What we do not need is a lot of redtape. We do not need excessive paperwork. We do not need a lot of restrictions, rules, and regulations.

We cannot put up with a whole parade of inspectors and things of this nature that are going to interfere with our normal way of doing business. Overcontrols, overreactions would be a detriment to this program or any program.

I understand that 75 percent of the new jobs in the future will be with the small businesses of 20 employees or less. This, of course, represents millions of companies across the country. With the proper programs, I think we can succeed. But small businessmen cannot do this alone. They are going to need a lot of help.

As a small businessman, I am encouraged and delighted that I have been invited here to tell this story today. We believe that small business is the cornerstone of this society and the free enterprise system. We think our country is unique in the world with the system that we have of promoting small business and letting them operate the way they do. We think that Government and business can work together in solving the unemployment and economic problems that we have. I think we can make a lot of these people more productive, taxpaying citizens. Thank you very much for having me.

Senator QUAYLE. Thank you very much, Mr. Thery, for coming here and testifying.

Without objection, your prepared statement will be inserted in the record.

[The prepared statement of Mr. Thery follows:]

TESTIMONY OF WILLIAM THERY

BEFORE THE SENATE SUB-COMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
JUNE 15, 1981, ROOM 4232, DIRKSON SENATE OFFICE BUILDING

MY NAME IS WILLIAM THERY AND I AM PRESIDENT OF T & K SPECIALTY PRODUCTS INC., IN RACINE, WISCONSIN. WE ARE A MACHINE SHOP OPERATION AND MACHINE METAL PARTS TO CUSTOMER SPECIFICATIONS. RACINE IS A CITY OF ABOUT 100,000 POPULATION, LOCATED ON LAKE MICHIGAN ABOUT 60 MILES NORTH OF CHICAGO AND 30 MILES SOUTH OF MILWAUKEE.

I WOULD LIKE TO START OFF BY TELLING YOU WHO I'M NOT. I AM NOT A BIG BUSINESSMAN, I DO NOT RUN AN INTERNATIONAL CORPORATION, I DO NOT EMPLOY THOUSANDS OF PEOPLE. I AM A SMALL BUSINESSMAN. I CURRENTLY EMPLOY 21 PEOPLE AND I AM AN ENTHUSIASTIC SUPPORTER OF THE CONCEPT OF EMPLOYMENT AND TRAINING PROGRAMS. IF A PROGRAM CAN BE DEVELOPED THAT APPEALS TO SMALL BUSINESSMEN, I AM CONFIDENT GREAT STRIDES CAN BE MADE IN SOLVING THE UNEMPLOYMENT PROBLEM OF ECONOMICALLY DISADVANTAGED CITIZENS. IT IS MY UNDERSTANDING THAT THERE ARE SOME 6 MILLION SMALL BUSINESSES LIKE MINE IN THE UNITED STATES. IF ONLY A FRACTION OF MY FELLOW SMALL BUSINESSMEN COULD EMPLOY AN ADDITIONAL ONE OR TWO PEOPLE DURING THE COURSE OF THE YEAR, I THINK THAT IT'S PRETTY EVIDENT THAT SOME MAJOR IMPACT CAN BE MADE ON THE PROBLEM OF UNEMPLOYMENT IN THE COUNTRY.

IN RACINE, KENOSHA AND WALWORTH COUNTY AREA, IN SOUTHEASTERN WISCONSIN, WE HAVE BEEN WORKING ON THIS PROBLEM. OUR PRIVATE INDUSTRY COUNCIL OR "P.I.C." IN THE THREE COUNTY AREA HAS ACTIVELY PROMOTED ON-THE-JOB

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TRAINING PROGRAMS. THEIR PROGRAMS HAVE INVOLVED ABOUT 170 SMALL BUSINESSES IN THE AREA AND ARE DEMONSTRATING THAT THIS TYPE OF AN APPROACH CAN BE EFFECTIVE.

I FEEL THIS EFFORT HAS WORKED BECAUSE THE SMALL BUSINESSMEN ARE WORKING DIRECTLY WITH OTHER BUSINESSMEN IN THE P.I.C. IN THE DEVELOPMENT AND OPERATION OF THIS PROGRAM. AS ONE SMALL BUSINESSMAN HAS A SUCCESS STORY, THE WORD GETS AROUND AND OTHERS FEEL MORE CONFIDENT IN PARTICIPATING IN THE PROGRAM.

THE TYPE OF PROGRAM I AM TALKING ABOUT IS WHEN A SMALL BUSINESS HAS A NEED FOR A NEW EMPLOYEE, A TRAINING PROGRAM IS SET UP IN OUR SHOP TO TRAIN THE PERSON TO SATISFY THIS NEED. EACH PROGRAM IS HAND-TAILORED TO OUR SPECIFIC REQUIREMENTS.

ONE OF THE FIRST THINGS WE MUST KEEP IN MIND IS THAT THE SMALL BUSINESSMAN CAN ONLY EXIST WHEN HE IS ABLE TO MAKE A BUCK. WE DO NOT HAVE BIG RESOURCES TO FALL BACK ON AND WE ARE IN CONSTANT COMPETITION WITH THE LARGER, MORE SOPHISTICATED BUSINESSES. SO ANY HELP THAT WE CAN GET IN TRAINING AN EFFECTIVE WORKFORCE RIGHT AT OUR PLACE OF BUSINESS IS VERY BENEFICIAL TO US. WE HAVE DIFFICULTY ATTRACTING EXPERIENCED EMPLOYEES BECAUSE WE OFTEN CAN NOT PAY THE WAGES, FRINGE BENEFITS AND PROVIDE THE PLUSH WORKING ENVIRONMENT THAT BIG BUSINESS HAS. THE SMALL BUSINESSMAN MUST TAKE WHATEVER MANPOWER RESOURCES ARE AVAILABLE TO HIM AND TRAIN THESE PEOPLE QUICKLY TO BECOME EFFECTIVE EMPLOYEES.

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FEDERAL TRAINING AND EMPLOYMENT PROGRAMS CAN BE MADE ATTRACTIVE TO US IF THEY AREN'T BOGGED DOWN IN RED TAPE. BECAUSE THE CONCEPT PROVIDES FOR TAKING ECONOMICALLY DISADVANTAGED PEOPLE AND TRAINING THEM FOR POSITIONS WITHIN OUR BUSINESSES. BOTH EMPLOYER AND EMPLOYEE CAN BENEFIT FROM A PROPERLY STRUCTURED PROGRAM. IN MY PARTICULAR COMPANY, MY SECRETARY AND MYSELF REPRESENT THE TOTAL MANAGEMENT OF THE OFFICE AND BECAUSE WE MUST GET INVOLVED PERSONALLY, A PROGRAM SHOULD BE SIMPLE WITH MINIMAL PAPERWORK AND ADMINISTERED BY PEOPLE WHO UNDERSTAND HOW WE OPERATE. THAT IS WHY BUSINESSMEN SHOULD BE ADMINISTERING THESE PROGRAMS THROUGH ENTITIES LIKE OUR P.I.C. THEY TALK OUR LANGUAGE, THEY UNDERSTAND THE MANPOWER NEEDS OF OUR BUSINESSES.

OVER THE COURSE OF THE YEARS, I HAVE PARTICIPATED IN MANY PROGRAMS AND HAVE HIRED MINORITIES, DISADVANTAGED, WELFARE RECIPIENTS, HANDICAPPED, RETARDED, ALCOHOLICS AND EX-OFFENDERS. I HAVE HIRED SOME 71 PEOPLE IN THESE VARIOUS PROGRAMS AND TEN ARE STILL WITH ME. OF COURSE, THE SUCCESS OF THE PROGRAM ISN'T NECESSARILY MEASURED BY THE NUMBER OF EMPLOYEES STILL WITH US, BUT MUST INCLUDE THE OTHER EMPLOYEES WHO ACQUIRED SKILLS WITH US AND THEN MOVED ON TO OTHER EMPLOYERS. MANY OF THEM USED MY SHOP AS A STEPPINGSTONE TO BETTER JOBS AND MY COMPANY PROVIDED THE BOOST THAT ENCOURAGED THESE PEOPLE TO BECOME PRODUCTIVE TAX PAYING CITIZENS.

ANY NEW PROGRAM SHOULD ALSO CONCENTRATE ON MAKING THE PARTICIPANT MORE JOB-READY. IN OTHER WORDS, THEY NEED TO KNOW SOME BASIC SKILLS - READING, WRITING, ARITHMETIC AND SOME TRAINING IN HOW TO CONDUCT THEMSELVES IN A WORKING ENVIRONMENT WHEN THEY GET TO MY SHOP. THEN THE ON-THE-JOB TRAINING PART OF THE PROGRAM CAN BE TAILOR-MADE TO MEET THE NEEDS OF SMALL BUSINESS AND DO THE ACTUAL TRAINING IN THE SHOP.

THE PROGRAM SHOULD BE ADMINISTERED BY BUSINESSMEN. IT SHOULD BE BUSINESSMEN TALKING TO BUSINESSMEN. WE ARE A LOT MORE COMFORTABLE DOING THAT. THE MEASUREMENT OF SUCCESS IS THE NUMBER OF PEOPLE WE CAN GET INTO THE MAINSTREAM OF SOCIETY AS TAX-PAYING CITIZENS, NOT HOW MANY REAMS OF PAPER WE FILL AND SEND BACK AND HOW MANY REPORTS WE MAKE OUT. IF YOU ARE GOING TO PUT THE STRESS ON REPORTS, YOU ARE GOING TO TURN OFF THE SMALL BUSINESSMAN. DON'T TELL US THAT BY BUYING INTO THIS PROGRAM WE'RE GOING TO HAVE A PARADE OF FEDERAL INSPECTORS AT OUR DOOR. THAT WILL TURN OFF THE SMALL BUSINESSMAN. NOT THAT HE'S DOING ANYTHING WRONG, BUT HE CAN NOT AFFORD TO DEAL WITH ALL OF THAT, ANYMORE THAN HE CAN THE PAPERWORK. THIS APPROACH WILL PROVIDE THE INGREDIENTS FOR A VERY EFFECTIVE SYSTEM.

THE FINANCIAL SUPPORT THAT THE COMPANY RECEIVES FOR TRAINING IS IMPORTANT TO US, HOWEVER THERE IS A POINT AT WHICH IT IS NOT PROFITABLE FOR US TO PARTICIPATE IN A PROGRAM. I AM NOT SAYING

THAT THERE SHOULDN'T BE CONTROLS AND THAT THE PROGRAMS SHOULDN'T HAVE SOME STANDARDIZATION TO THEM. I AM ONLY TALKING ABOUT WHERE THEY ARE OVER-CONTROLLED AND THERE IS AN OVER-REACTION.

I UNDERSTAND THAT UP TO 75% OF THE NEW JOBS COMING UP IN THE NEXT FIVE YEARS MAY BE WITH SMALL BUSINESSES OF 20 EMPLOYEES OR LESS. IF WE CAN DEVELOP A NEW EMPLOYMENT AND TRAINING PROGRAM RUN BY THE PRIVATE SECTOR WITH A SPECIFIC PART OF IT DIRECTED AT THE SMALL EMPLOYER, I THINK IT WILL SUCEED. WE SHOULD HAVE BUSINESSMEN RELATE TO BUSINESSMEN IN THE ADMINISTRATION OF THE PROGRAM, WITH SIMPLE FORMS, MINIMAL PAPERWORK AND PROVISIONS FOR CUSTOMIZED IN-HOUSE TRAINING. THIS WILL PROVIDE ALL OF THE INGREDIENTS ESSENTIAL FOR SUCCESS. THIS TYPE OF AN APPROACH WILL MAKE A STRONG IMPACT ON THE UNEMPLOYMENT PROBLEM, WILL HELP THE SMALL BUSINESSES GROW, AND WILL IMPROVE THE ECONOMIC CLIMATE OF THE ENTIRE COMMUNITY.

AS A SMALL BUSINESSMAN, I AM ENCOURAGED THAT YOU WOULD TAKE THE TIME TODAY TO LISTEN TO WHAT I HAVE TO SAY. I AM SURE THAT THERE ARE MANY, MANY OTHER SMALL BUSINESSMEN WHO WILL BE EQUALLY ENCOURAGED AS THEY BECOME MORE FAMILIAR WITH WHAT IT IS THAT YOU'RE TRYING TO DO. I BELIEVE SMALL BUSINESS IS THE CORNERSTONE OF THE FREE ENTERPRISE SYSTEM AND THAT THIS SYSTEM IS THE CORNERSTONE TO THE SUCCESS OF THIS COUNTRY. IF GOVERNMENT AND BUSINESS CAN WORK

TOGETHER FOR THE WELFARE OF THE COUNTRY, I FEEL CONFIDENT THAT WE CAN COMPETE WITH ANY OTHER SOCIETY IN THE WORLD TODAY. WE ARE IN THIS TOGETHER AND TOGETHER WE CAN HELP SOLVE OUR UNEMPLOYMENT PROBLEM, OUR PRODUCTIVITY PROBLEM AND OUR ABILITY TO COMPETE ON A WORLD-WIDE BASIS.

THANK YOU VERY MUCH.

Senator QUAYLE. I am acutely sensitive to the small business people. I happened to be a small businessman before I got in this particular position. I also am aware of the tremendous number of small business people around the country. As you said in your testimony, if we could just get the small business people perhaps a little bit more aware of some of the training problems and employment problems, we could perhaps lick this situation in no time.

My question to you would be on your experience as a small businessman. What kind of incentives will work to get small businesses involved on a permanent basis in a CETA-type program?

Mr. THERY. I believe money input is very important. I think some of the programs that have been involved, most of them, I believe, have contributed a part of the individual's payroll or salary for a limited period of time. This is a good incentive for a small business because you just cannot afford to take in somebody that has not a lot of background and try to train him without some kind of monetary help.

As I said, the money alone is not the only thing. If it were just the money, the complications of all the other things, such as the need of a lot of time and administering costs on our part, it would not be practical. Money alone could not pay for it. Then you would not be able to do the things that you are in business to do. But the money is a very important part of it.

Senator QUAYLE. When you talk about money, are you speaking about direct financial assistance? Or are you talking about a tax credit? Are you talking about wage subsidies? When you talk about money for these programs or money to small businesspeople, what are you really talking about?

Mr. THERY. I think it is in more than one direction. I think incentives to pay part of the individual's payroll while he is getting started, while he is learning is important. I think something that would go either in the individual's pretraining or maybe to help him in the area of getting tools or getting him to be a little bit more ready to get into this kind of a business. Our business is a semiskilled business. It is a machineshop. You have to know a little bit. Unfortunately, some times the individuals are coming in totally unprepared; they have no idea of what the machineshop environment is all about, what they are up against. If there would be a way that they could be helped in this nature, I think it would improve their chances a whole lot.

Senator **Quayle**. I certainly again thank you very much for your testimony. Good luck.

Mr. **Thery**. Thank you.

Senator **Quayle**. Next is Mr. Britt Beemer from the Private Employment Consortium.

STATEMENT OF BRITT BEEMER, DIRECTOR, FEDERAL CONTRACTS DIVISION, PRIVATE EMPLOYMENT CONSORTIUM, INC., CHARLESTON, S.C.

Mr. **Beemer**. Mr. Chairman, first of all, let me say that PEC is a unique business within the CETA system. We are a private-for-profit organization. We are probably one of the very few private-for-profit companies in CETA which is involved totally with performance based contracting. I will address that in more detail. It makes us somewhat different in regard to the type of contractors that CETA presently has.

PEC, as it has grown in the past few years from our first contracts, is now serving in many areas. We are not limited to only South Carolina. We have more divisions than just CETA and Government employment. Our expertise is in the area of migrant and seasonal farm workers, Indo-Chinese refugees, youth, on-the-job training, title VII, Native Americans or Indians, whatever you want to call them, and programs such as these.

We have contracts other than CETA, but most of our contracts in the Government employment field are CETA-funded. PEC has developed programs where payment is linked to performance. We feel that performance-based contracting can result in cutting the overall cost of CETA while resulting in twice as many persons employed through the CETA program. From our perspective, the emphasis has been placed on training rather than employment for much too long. We feel that the bottom line is jobs. CETA has been marginally successful because jobs do not seem to be the end product in many, many cases. Let me cite one example.

PEC has contracts for on-the-job training. The difference between our approach and normal operating procedure is payment. Let's say that we are paid $1,000 per person who completes on-the-job training. We are not paid any of that $1,000 until that person has completed his OJT program and is hired by the employer as an unsubsidized employee.

This places a tremendous burden on PEC because all the participants who quit or are fired during the OJT program in their training period, PEC will receive no funding. This means that the Government agency that is contracting us gets 100 percent performance for the dollars contracted. Too many programs may serve 100 people under their contract but, if only 10 persons are employed, the real cost for each participant employed must be calculated by dividing the number of those participants employed into the total cost of the program.

Let's take an example. For example, if GSA contracted a firm to come here and clean this room and they had certain functions to do five nights a week and let's say the first couple of nights they did it real quickly and the third night they came in and they did it a little better but yet they were pretty hurried about it and things went a while like this, and they were getting their regular checks five times a week and their payment was not based upon performance, basically what you end up having after a long period of time is no or poor performance.

People within the bureaucracy may say: well, at the end of the year if a person does not do a good job they may not get a contract for the following year. But when you are talking about contracts in the millions and millions of dollars, it is a terrible waste of those kinds of funds to think that that kind of program could operate for a year before review is done. That is a great concern to us.

We feel that for too long the Government has contracted for millions of dollars and literally gotten pennies back in return. We know our idea may not be popular with the bureaucrats who get contracts Year after year while no one gets a job but the contractor is still being paid and he is still receiving those federally funded programs. That is why we feel very strongly that, unless payment is linked with performance, this continued ongoing program of nonperformance will continue within the CETA program.

PEC is operated under a fixed-price performance-based contract, so we know it can be done. Under the old method of cost reimbursal, contractors could provide service; and, as long as those services were provided, they received payment even though no one received employment.

We know of programs where nearly $1 million were expended and not one person secured a full-time position.

As we can see from recent elections, the American public is tired of large, costly Federal programs that produce few results. In our opinion, CETA could operate on a much smaller budget than recommended by the administration and still employ more people than were employed in CETA at its highest funding level if performance-based contracting was the rule rather than the exception.

We are very pleased with the emphasis on the private sector because programs such as OJT and title VII are the most cost-effective and by far the most successful. We feel that future Government employment programs must work more closely with the private sector. We applaud the administration's move to eliminate public service employment because of the marginal results that it has.

We urge the Private Industry Council under title VII to become more and more active and increase their influence on policy decisions. We only hope that those people who make appointments to the PIC committees will nominate people who work in the private sector. Our experience in the private sector tells us that simplification of forms associated with CETA programs and extension of the targeted jobs tax credit programs would be welcomed with open arms. PEC has been very active with targeted job tax credit.

For the first time in the history of Charleston Job Service, more people were certified under targeted jobs tax credit last month than in the history of the program. It is only because very little effort has been done by the bureaucrats to advertise it. Once we have made it aware to employers and discussing it with them that we have people in the OJT programs that they are also eligible for this program, employers jump at the chance to employ more. Because of that, I have employers that call me on a weekly basis who want people who were only TJTC certified. That just gives you one example of how, after employers become aware of the program, they become very excited about hiring these people in their business.

As the Congress decides the direction for the future of CETA programs, whatever you want to call it, employment and training area, we sincerely hope that greater scrutiny will be used in seeing that payment of services is tied to performance. We also feel very strongly that in the coming year as you review CETA that you will look very closely upon the issue of the fact that so much of the dollars that have been expended over the past few years have resulted in programs with no bottom line, which is jobs.

Having sat through many, many State and Federal meetings, where I have seen millions of dollars being expended for training programs such as welding and where those welders would go to apply for a job in our home county of Charleston County, S.C., where they could not even pass a rudimentary welding examination after going through 6 months of welding training makes you wonder the quality of training that we are providing these people.

I think that is a very important thing. That is why we are very excited about the idea of the PIC's becoming a more important role for private industry to tell CETA, or whatever we want to call it in the future, what direction they want to go.

Let me make one more comment. It is not in my remarks. It is one that I have realized more in the last few weeks and months. It is interesting to note that we have people within title VII and within the PIC program that are administrating programs who have had zero experience in the private sector. Yet, they are trying to tell us from the bureaucratic point of view what the private sector needs.

As a contractor of CETA services and one who is involved with those types of services on a day-to-day basis, I think the private sector knows very well what they need. I think it is high time that the PIC's become so strong that they literally dictate to the CETA organization what they need and not for the organization to come out and say: here are our recommendations for this coming year, and we hope that you will approve them, and the PIC then gives them the rubberstamp. I do not believe that was the role of the PIC's. I hope that they will become a stronger and more viable force in the future. Thank you very much.

[The prepared statement of Mr. Beemer follows:]

TESTIMONY OF BRITT BEEMER
DIRECTOR, FEDERAL CONTRACTS DIVISION
BEFORE THE SENATE SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY
JUNE 15, 1981

Mr. Chairman and Members of the Committee:

I am very pleased to appear today to share with you our experience in the employment field. PEC is one of the very few private-for-profit firms working within employment and training programs such as CETA. We have contracts other than CETA, but most of our programs are funded by CETA. PEC has developed programs where the payment is linked to performance. We feel that performance based contracting can result in cutting the overall cost by 50% while resulting in twice as many persons employed.

From our perspective, the emphasis has been placed on training rather than employment. We feel that the bottom line is jobs. CETA has been marginally successful because jobs have not seemed to be the end product.

Let me cite an example. PEC has contracts for On-the-Job Training. The difference between our approach and normal operating procedure is the payment. Let's say that we are paid $1,000 per person who completes On-the-Job Training. We are not paid any of that $1,000 until that person has completed his OJT program and is hired by the employer. This places a tremendous burden on the contractor because all those participants who quit or are fired during the OJT period, PEC will receive no funding. This provides the government contracting agency 100% performance for dollars contracted. Too many programs may serve 100 people, but if only 10 persons are employed, the real cost for each participant employed must be calculated by dividing those participants employed into the total cost of the program.

For too long the government has contracted millions of dollars and gotten pennies back in return. We know our idea may not be popular with the bureaucrats who get contracts year after year and no one gets a job, but we feel that federally-funded programs in the employment and training field must link payment to performance.

PEC has operated under a fixed-price performance based contract so we know that it can be done. Under the old method of cost-reimbursed, contractors could provide services and as long as those services were provided they received payment even if no one received employment.

We know of programs where nearly $1 million were expended and not one person secured full-time employment.

As we can see from the recent elections, the American public is tired of large costly federal programs that produce few results. In our opinion CETA could operate a much smaller budget than recommended by the Administration and still employ more people than were employed under CETA at its highest funding level if performance based contracting was the rule rather than the exception.

We are very pleased with more emphasis on the private sector because programs such as OJT and Title VII are the most cost-effective and successful. We feel that future government employment programs must work more closely with the private sector. We urge that the Private Industry Councils under Title VII become more active and increase their influence in policy decisions.

Our experience in the private sector tells us that simplification of forms associated with these CETA programs and extension of the Targeted Jobs Tax Credit Programs would be welcomed with open arms.

As the Congress decides the direction for the future programs in the employment and training area, we sincerely hope that greater scrutiny be used in seeing that payment of services be tied to performance.

Senator QUAYLE. Who is it that is telling the PIC's what they can do and what they cannot do? Is it the local prime sponsor? Or is it somebody out here in Washington?

Mr. ROVERSI. No; I think I know what Mr. Beemer is referring to. The PIC in the State of South Carolina was just recently formed. They are finding their own way right now. I think they are very much in the formulative stages. They are leaning very heavily on the local prime for guidance and direction. Unfortunately, it is not terribly representative of the true industry needs in the State.

Senator QUAYLE. The local PIC is not as representative as it should be?

Mr. ROVERSI. Correct. I think in time, though, that will solve itself.

Too often, the PIC's become political appointee positions, and they are a nice position to have. In South Carolina you have a nice license plate that goes along with it. It is nice to have a license plate saying PIC No. 3 or PIC No. 12. Subsequently, you see many lawyers, doctors, and dentists who get on the PIC committee. It is kind of discouraging but yet it does occur.

Senator QUAYLE. We have a unique license system in Indiana, but I do not think it is quite like that.

Mr. BEEMER. Having been a faculty member at Indiana State, I can tell you that I agree that your license system is much better; but not all States have followed your method.

Senator QUAYLE. Particularly when it comes to basketball.

Mr. BEEMER. That is right. That is exactly right.

Senator QUAYLE. This past season is evidence of that.

On your 100-percent performance, about how long is your on-the-job training for these people?

Mr. BEEMER. It all depends on what the position is. As you know, from the Federal Government we have volumes telling us what are allowable training times. I guess our training times will go anywhere from 4 weeks to 6 months. Mr. Roversi might have some more ideas on that.

Mr. ROVERSI. The point that we wanted to make is this: In a performance-based contract, which is the only contract that we work under, we are not paid until the job is done. So, if that individual drops out of training, let's say, in the 8th week of a 12-week program, there are no funds that are disbursed to us or to the employer during that period of time. It puts the impetus on the industry and ourselves to work harder in the selection process of that individual rather than just taking an individual that comes walking in the door and the firm is reimbursed 50 percent of the wages while that individual is in training regardless of whether they complete or not.

Does that answer it?

Senator QUAYLE. Yes.

About how long, if you have any statistics to show, after they are placed do they stay in their particular job? In other words, if you train somebody and give him a 4-week training course and he lasts 2 days and he quits, that is still a problem.

Mr. ROVERSI. Oh, obviously.

Senator QUAYLE. Do you have any data on that?

Mr. ROVERSI. Very varied——

Mr. **Beemer**. We just finished a Charleston County OJT program, I guess, back sometime in mid-January, early February, I think in our review for trying to get the project again next year. Over 86 percent are still in that job or in a related job. In some cases somebody may be trained for a company and, after working 3 or 4 months, may be offered a better position with another company in the same related field. Therefore, they are absorbed there. So, we feel that is still a very positive type of thing.

We only found 14 percent of the people who were not employed in the positions where they were actually trained. In some programs we have been even higher.

I think any time you have 85 percent 3 or 4 months down the road of people who are basically the lowest level—the Federal regulations say people going into on-the-job training are people who cannot be trained in any other training component and therefore should be the lowest-level people within the CETA system. We feel like because we have people who were in the lowest level that 85 percent after 6 months is pretty good.

Also, we have taken an innovative approach. It was a risk on our part because of our contract. In our last contract, 20 percent of the people that we employed were people that we received from VR were mentally handicapped. They had second-grade-level mentality. We found jobs for them. We placed them in full-time positions. For the first time in their lives they are employed in a job in the private sector and will not have to be a leech upon society living in Government housing.

Senator **Quayle**. How many people are you presently training today? Do you have a number?

Mr. **Beemer**. Our contracts, I guess, at the present time probably in OJT are somewhere around 200 to 300, I would guess.

Senator **Quayle**. And that is just CETA?

Mr. **Beemer**. Yes.

Senator **Quayle**. Is that most of the work that you do?

Mr. **Beemer**. We do other things. We are presently finalizing the contract with South Carolina for the Indochinese refugees. We had it under the CETA program. This year it is now funded through the Department of State.

Most of our programs in the beginning were CETA. We are now beginning to branch out. We are also trying to work with a pilot program with the Bureau of Indian Affairs. We feel like we have innovative approaches that mean you are going to get what you pay for. If you want 100 people employed, you contract us and, if we are paid $1,000 per person, if you only pay us $9,000 where 9 people were employed, if you pay us $99,000 where 99 people were employed, we feel like that is a very good way to guarantee the Federal Government that the dollars that they expend they in turn receive that service. It is unlike the cost reimbursal system where somebody may go through and you may have the entire staff ongoing for the whole year. At the end of that year, in the contract that we have in OJT eight people were employed in 12 months. Our OJT, we achieved 50 people employed after 14 weeks.

Senator **Quayle**. The people that you train, are they referred to you by prime sponsor?

Mr. **Beemer**. Yes.

Senator **Quayle**. They control——

Mr. **Beemer**. Except for title VII.

Senator **Quayle**. Then you find the industry or business to put them on the job.

Mr. **Roversi**. Exactly.

Senator **Quayle**. And then you go out and——

Mr. **Roversi**. It is two-phased, in other words. The individual is referred to us by whichever entity we happen to be working with. Primarily what our function is, prior to that individual being referred to an employer, is that our staff interviews them in depth to find out specifically what are the skills that that individual possesses and what is it, most importantly, that they want to do: where do they want to be; where do they want to go; what type of job do they want. So, it is a combination of that internal counseling, coordinated with job developers in the field talking to industry, saying: Fine, we have some individuals that have expressed a desire for this type of work, et cetera, and coordinating those two interests.

Senator **Quayle**. Thank you very much.

Next is Mr. John H. Filer from the National Alliance of Business.

STATEMENT OF JOHN H. FILER, CHAIRMAN, AETNA LIFE AND CASUALTY, AND CHAIRMAN, THE NATIONAL ALLIANCE OF BUSINESS, ACCOMPANIED BY WILLIAM H. KOLBERG, PRESIDENT, NATIONAL ALLIANCE OF BUSINESS

Mr. **Filer**. My name is John Filer. I am chairman of the Aetna Life and Casualty Co. and also chairman of the National Alliance of Business. I have a relatively brief statement that I would like to present and have filed the written testimony.

We are at a critical junction in the evolution of the Federal employment and training policy. We are aware of the important role your committee will play over the next year or two in defining the shape of the policy for the next decade. We at the National Alliance of Business are prepared to provide you with whatever assistance we can during this period. I can assure you of the ongoing assistance of Mr. William Kolberg, who is president of the alliance, and who is with me here today, and also his staff as well as the availability of myself and members of the NAB Board of Directors.

The National Alliance of Business comes to this discussion with a longstanding and active concern for those in our work-oriented society who are not adequately prepared for, or who cannot find, useful and rewarding work. Over the last 13 years, the alliance has worked closely and consistently with business leaders across the country and government at all levels to insure their effective involvement in Federal, State and local efforts to train and place disadvantaged people in private sector jobs.

The views we bring to this discussion are based on regular communication with a broad national network of corporate leaders as well as our ongoing discussions with Privte Industry Council members and other business leaders involved in local employment and training programs. The business community's interest was clearly reflected in the alliance's strong support for the creation of Private

Industry Councils in 1978. Over the next several months we will be working intensively to develop specific proposals about desired changes in Federal employment and training policies.

Today, on behalf of the business leaders NAB represents, I would like to offer several key principles we hope you will consider in your forthcoming deliberations.

First, the Federal employment and training policies should be refocused to support and complement the role of private business in providing jobs and income.

Most business leaders recognize that special efforts are needed for those in society who are outside the economic mainstream and find it difficult to share in the benefits of a healthy, growing economy. Future employment and training policies should be focused on the priority goal of private jobs and not diverted, as in the past, to the provision of public service jobs. But this will require the removal of barriers that now prevent business expansion and job creation in this country. The reduction of structural unemployment is dependent over the long run on our collective ability to adopt policies and take actions which will stimulate growth in the private economy.

I believe you heard a representative from the Business Roundtable on the same point this morning.

Second, we believe that business must have a strong role in the design and delivery of employment and training programs. In the past, employers have too often been involved only at the end of the work preparation and training efforts, when the issue becomes job placement. If job placement in the private sector is the ultimate goal of Federal employment and training efforts, then businesspeople must be involved in the process from start to finish.

Employers must have the opportunity to join in designinq programs, participate in their implementation, and be involved in assessing the responsiveness of programs to the people in need of help as well as business. Otherwise, resources will be wasted on unrealistic strategies, and business will continue to lack confidence in a system they connider over-politicized, unnecessarily complicated, and unbusinesslike.

Employers have a natural tendency to hesitate to hire job seekers trained by a system in which they have no obvious stake or sense of ownership. This is not to suggest that the private sector should control the federally-sponsored employment and training system. Rather, it is simply a suggestion that such a system will have a much greater chance of achieving its objectives if business has the opportunity to participate as partners with government, labor and community-based organizations.

The creation of the private industry councils was a good step in the right direction. But further steps are now needed to build private employers into the decisionmaking at every phase.

Third, Federal control over employment and training programs should be reduced and delivery systems streamlined to permit flexible, comprehensive programing locally.

The needs of individuals and employers are often unique to the local labor market and cannot effectively be predicted by the Federal Government. Yet, the Federal Government has continued to burden local delivery systems with new and everchanging national priorities, detailed legislative and regulatory controls, and substantial redtape. Delivery systems are brdened with so many missions and mandates that it is nearly impossible to establish local objectives. The ability to plan comprehensively at the labor market level, where most economic decisions by individuals and by business are made, is prevented by the lack of coordination among such various elements of the system as CETA, the Jobs Service, vocational education and apprenticeship programs. The business community views this system as highly fragmented and wasteful given limited public resources. Consequently, this system acts as a barrier to participation by the business community.

Most businesspeople will continue to view public employment and training programs with skepticism until the system is streamlined, simplified, and professionalized. Business will respond favorably to simple, clear objectives that insure accountability.

Fourth and lastly, program flexibility is needed to respond not only to today's work and training problems but also to changing economic and labor force circumstances in the future.

Future employment and training policies must anticipate the needs of a labor force with much greater numbers of women, older workers and skilled workers displaced through industrial change. In addition, the expected decline in overall youth unemployment calls into question the continuation of youth programs that are not targeted on the core problem of minority youth joblessness. Because this problem appears to be substantially caused by the lack of basic education skills, work habits and work attitudes, flexibility at the local level will be needed to bring schools, employers and other agencies together in transition-to-work efforts. One important role which the Federal Government can play is to encourage just that cooperation.

Mr. Chairman, the mandate for change in Federal employment and training policies has been building for some years. To ignore the experience gained over the past two decades would be foolish. We need to evaluate approaches to determine those that have worked well, those that are cost effective and that meet the needs of private employers. To abolish existing systems in a wholesale fashion rather than building on the accomplishments and capabilities and legitimate roles of existing institutions would be wasteful. But the opportunity now exists to reshape policies for the long term and to build a more productive partnership with the private sector. I urge you and others concerned about employment and training to set high goals as the process of legislative review begins. We will all benefit from profound and beneficial change in a field of public policy badly in need of redirection.

Mr. Chairman, I appreciate the opportunity to testify. I would like to make just one further comment. That is that I graduated from your illustrious institution in the year in which you were born.

Senator QUAYLE. Well, 1947?

Mr. FILER. Greencastle, Ind., yes, sir.

Senator QUAYLE. My parents graduated in 1943. They would have been seniors at about the same time.

Mr. FILER. My brother graduated in 1943. So, he was a classmate of your parents.

Senator **Quayle**. My father resided in the Delta Kappa Epsilon House down there. My mother was a Theta.

Mr. **Filer**. My mother was a Theta and graduated in 1915. So, I can one-up you each time. [Laughter]

Senator **Quayle**. I certainly thank you, Mr. Filer, for taking the time out of your busy schedule. I am glad to know the Indiana and Hoosier connection.

Let me ask you a philosophical question I have addressed to others and I am grappling with myself. What is the proper role and function of the Federal Government in training and employment? Should we relegate it just to the hardcore unemployed? Some people this morning brought up that skilled trades is what we really need. But that is still, I think, missing the ones that do not have any skills to begin with.

You talk about not eliminating these systems but improving upon them. I certainly concur with that. I do not suggest that we just throw everything out. But there does need to be some transition to regain confidence in the business community, with our labor leaders, our civic leaders, because it is simply not there.

I wonder if you could give me your opinion.

Mr. **Filer**. Yes, and then perhaps Bill Kolberg would want to supplement it.

In my judgment, for some period of time the potential Achilles' heel in this country will be the structurally unemployed. Now, I agree that there is a mismatch throughout the country in the availability of truly skilled labor. A good friend of mine runs a small business in Hartford, and he knows to the dollar what one additional truly skilled worker will make for him each year. We do have mismatches.

But I think our major problem in the past is that we have failed to hit the target audience, which is the structurally unemployed.

Take the issue of absence of low-income housing in the Greater Hartford area. That is not the real problem. The problem is a lack of income. If we did not have that very large core of under-educated, under-skilled people, without work habits, without an understanding of what it requires for you to work, we would not have a low-income housing problem. We would have people with income, and decent housing would flow from that economy.

So, in my judgment, the structurally unemployed are the critical audience that I do not think we should lose sight of. Sure, there are many other audiences that are important. In my judgment, the Federal Government's role really is the development of public policy and programs in concert with labor and business; the development of an overall structure within which the private-enterprise, price-driven, free-economy system can accomplish what you might otherwise be tempted to do publicly.

It is incredibly difficult. Part of our problem in the past was that we did not keep our eye on the principal target. One person who testified a little earlier was talking about the great help of CETA employees to the general environment of the city. Well if you wish to subsidize city employees, that is one thing. But that is not really a Federal employment and training policy decision; it is subsidization of a particular function within a city to produce an environment that is different from what might otherwise have been. But, if you begin to get confused as to what the mission is, I think then you confuse the businessman.

The question was asked earlier: What does the businessman really need? The answer was money. I think, even more than money, it is a system he can understand; one that is clear and not so cluttered with regulation and redtape that he is afraid to deal with it. And he must have some confidence that the person coming out of the system will be qualified.

If you could do that, the small and large employer would respond.

If you look out a decade at the demographics, it is clear that we will be doing all of this out of economic necessity rather than out of any moral concern or concern for the structurally unemployed. We are going to run out of workers in another decade or so if we have a strong economy.

Mr. **Kolberg**. Mr. Chairman, our organization's response to that would be very careful targeting. I do not like the word structural unemployed; that is an economist's term. I think businesspeople would say the hard to employ, people that do not have the training or the basic skills.

An example would be in the youth area. The terribly difficult problem of youth unemployment is found in the center cities of our country. There are probably half a million to a million youth really needing keep. Yes, there are problems across the country, but the social dynamite piece of that problem can be identified and we know what it is. That is the area, it seems to me, where the Federal Government, the private sector, labor, community organizations—we all need to target our money, target our time and attention on those kinds of groups.

Certainly the Federal Government has a major responsibility. What we say is that in a partnership, the private sector understands that responsibility also and will work with the Federal Government, work with local government in a partnership as we target on those specific qroups in our society that need the extra help, that need the second chance.

Senator **Qayle**. You talked about the system: make it simpler, make it understandable. The system we have right now, the Federal Government, prime sponsor, subcontract. You have about 50,000, they say, subcontractors. We talk about getting more involvement and bring in the issue of decentralization. Do you think that we should further decentralize the system that we have now? Or, to get more continuity to it, maybe the direction we ought to go is more centralized and less scattering out all across the country to try to get some control and sensibility.

Mr. **Filer**. Perhaps more cohesion. But, if you centralize and the decisions are more centrally, they are made by people who do not understand the differences and the uniqueness of the local job markets or individual employer requirements in one area as against another area. The terrible choice you have, in a way, is to design a system that is flexible enough and subject to local option and change and be willing to run the risk of not overburdening it with requirements. And you run the risk of fraud or mismanagement or inefficiency. And that is a very hard risk to run. But I think in this area it is one that is well worth taking.

John Gardner one time made a comment that I thought was just great. He said: Remember, you can never catch the last three rascals. In trying to catch them, you do an enormous amount of harm, an enormous amount of damage, and you spend incredible amounts of money.

One of my worries is that in our unwillingness to run the risk of inefficiency, mismanagement, fraud or whatever, we will so overburden it, as I think we have done in the past, that it will not work effectively or it will work at enormous cost.

Senator **Quayle**. Do you think that the system we have today is inflexible?

Mr. **Filer**. I think the private sector initiative program was a very intelligent direction in which to go. I think it is terribly important to give that whole system a full opportunity to work. If it does not work, if the concept of a private-public partnership with strong business input and control does not truly work, I think we are going to be set back for a long time in having any effort of the private sector truly being part of this process. I do not know what the other alternative is.

That part of the system, I think, is one that very much deserves to be maintained, supported, improved. And I think it is also terribly important to have a better understanding of the interrelationship of economic development in all of its forms. UDAG, for example, I happen to believe was a program that did a lot of good.

You cannot separate a UDAG-type program from employment and training. Economic development—the growth of an economy—and education, training, and employment, must go hand in hand.

Senator **Quayle**. On the PIC program there is a statutory mandate of the moneys be set aside. Do you think we should continue that? Or would your advice be to discontinue it?

Mr. **Kolberg**. Do you mean 10 percent for economic development, Mr. Chairman?

Senator **Quayle**. It is mandated. They would have to use at least 10 percent of it.

Mr. **Kolberg**. I think it certainly ought to go up. As you know, prime sponsors can spend as much of their other funds, their IIB, IID funds, as they wish. Many prime sponsors from the very beginning of title VII have spent a lot if not all of their title II money through title VII. I think that movement ought to take place. I think the Labor Department ought to be encouraging that over the next year.

Many private industry councils are now ready to go well beyond responsibility for the $300 or $400 million that is set aside in the law.

Senator **Quayle**. So, you would be for maintaining some percentage, and as a matter of fact might even suggest an increase, on the moneys that would go into title VII of the total?

Mr. **Kolberg**. Yes.

Senator **Quayle**. We talk about the hard-core unemployed, the structurally unemployed as basically a Government problem, a Government concern. We have got to establish a policy to deal with those people because, quite frankly, I do not think that business and industry would pick it up. We have a lot of fine civic leaders but, you know, there is also the bottom line. So, that is basically a Government concern.

What about the skilled shortages that we have today and the skilled requirements that are just lacking? I do not know that much about the insurance industry whether you have a shortage of skilled workers. But I know in the area of national defense—I am on the Armed Services Committee—there is a tremendous shortage of skilled employees.

You can go on in any major industry, and we see a shortage of skilled personnel. Is that a Government problem? Or is that more of an industry problem? Where should we focus our attention on giving the training to those people? Do we want to start with the educational problem and maybe look at some of the vocational programs that we should or should not have? Where is our role? We identified the structurally unemployed, but we do have this tremendous shortage.

Mr. **Filer**. To the extent that you can consider this a concern of the Federal Government, I would hope that the direction would be through some effort to have the State and local communities deal more effectively with it. I do not think you can do that in a massive kind of a way. The State of Connecticut, really, has the capacity to deal with the inadequacy of skill training. But this friend I mentioned a while ago, he said someone will come in from a training program and he has been trained on machines that have not been used for 10 years.

That, I think, is something again that best is handled as locally as you can amass the funds to do it. I think again that it will ultimately have to be a combination of business, State and local government. Whether Federal funding and Federal participation is required, I do not know. But I think the focus clearly has to be out where the training is done and where the jobs are. If you train people for the boat division in Groton, Conn., that is very different from training somebody in Omaha, Nebr., to build something different.

Senator **Quayle**. What about the displaced worker? Again, is this a Federal concern? Or should this be more of an industry concern?

Mr. **Filer**. I think we have come to the time when any problem is a concern of the Federal Government. You know, it is a concern. You are concerned with the health and fabric of our society, really. But this does not mean you need an expensive program to go fix it. Often, I think, the Federal Government through study and analysis could provide some intelligence that otherwise does not exist. You could then have local response, both a local Government and industry response. I do not think you need a Federal program for each perceived need. But I think it is a concern of the Federal Government.

Often, the Federal role should be to research, throw light on the subject, propose various solutions, be a catalyst—and not necessarily provide a multi-billion-dollar program that often becomes counterproductive. The people you are seeking the most to help often are the ones who end up the worst because of inflation and high interest rates. Who gets hurt is the person who is the most defenseless. You and I can stand high interest rates and inflation better than they can.

Senator **Quayle**. And that is the problem. Looking at it from your viewpoint, we are concerned about everything. The 220 million people is a concern of the Federal Government; they happen to be human beings and have inalienable rights. But the question is, how do we translate that concern into a program.

For example, the CETA program started out as a training program and probably went through the same process that we are going through right now and expanded way beyond. That does not say that there was not a concern about public employment or there was not a concern about helping the cities out or that there is not a concern about having more public jobs. That is a concern and something very meritorious. The problem is where do we draw the line and what works, what doesn't, why, and what we ought to be doing about it.

Mr. **Kolberg**. Mr. Chairman, on that point, I know you are aware of this, but I just want the record to show that private industry spends upward of $30 billion a year in training in-house. Most of us get our skills that way in the public school first and then in the private job we happen to get. I think we found in the sixties, when we created the Manpower Development Training Act that, lo and behold, people thrown out of work by automation quickly found other work. We did not need the Federal Government to intervene and spend tax dollars to provide those skills. If there is work to be done, and people have good work skills, good work habits, the private sector will pick them up, refurbish their skills, and they will go on from there.

Senator **Quayle**. Let me ask one final question. Do you feel that tax incentives such as the targeted jobs tax credit or a tax proposal is a good proper mix to encourage private sector participation? Or should we focus elsewhere? Does it work? Will it work? Will it be beneficial to encouraging business and industry to assume more responsibility in the area of training?

Mr. **Filer**. I will start and then let Mr. Kolberg supplement it.

I believe that a tax credit tends to work better for the larger, more sophisticated corporation that has the full staff and is equipped to deal with the forms, the redtape, and the process. I think, as the firm gets smaller and smaller, it becomes less effective. Many smaller businesses run more as a cash flow business than as a maximize-the-taxable-income kind of a business.

So, I am always suspicious of tax credits being a strong motivating factor for a program that is supposed to go throughout the business community. We need to be very careful of it.

I think there are other incentives that work better than a tax incentive. But the targeted job tax credit has worked, as I understand it, in some instances and has been beneficial.

Senator **Quayle**. What other kind of incentives would work better than a tax incentive?

Mr. **Filer**. A direct subsidy. You know: Aetna, hire a hundred who qualify and here is an *x* percent subsidy for a following period of time in cash dollars. I am not saying it is necessary, but it would be far more effective than to say: here's a complicated tax credit arrangement.

I don't care what kind of business you are running, large or small. Cash has one characteristic: It is useful to everybody. Tax credits do not have that characteristic. And it is simple to understand.

Have I said anything wrong, Mr. Kolberg?

Mr. **Kolberg**. Right on, Mr. Chairman.

What we have said about this issue is that, with 10 million businesses in the country, what motivates one will not motivate the other. Therefore, what we are trying to construct for private industry councils to market, if you will, is a whole set of incentives and tailor them to the businesses that they are doing business with.

We happen to believe the targeted jobs tax credit is a step in the right direction. How can you tell after 18 months whether in fact it has really worked? It has not worked terribly well yet. I can point to a lot of explanations, reasons why I think it has not. But I continue to believe that the use of the tax system to change employers' attitudes in hiring will ultimately work. I think the current law is a bit too complicated. There is too much redtape. The system is not well run at the local level. There are too many categories. With seven categories employers get confused.

Our hope is that the targeted jobs tax credit could be extended for a year and reexamined as you are reexamining the total system and the incentives to private employers all at the same time.

For some private employers, clearly, wage subsidies will work better. On-the-job training subsidies will work better. But I continue to believe that for a number of small employers money on the barrelhead, either through refundable tax credits or tax credits the way they are now, are one of the things that we ought to have to offer to private employers to motivate them to get involved with this problem.

Senator **Quayle**. Thank you very much.

The committee stands in recess until Thursday at 9 o'clock.

[Whereupon, at 3:06 p.m., the subcommittee was recessed.]

EMPLOYMENT AND TRAINING PROGRAMS IN THE UNITED STATES, 1981

THURSDAY, JUNE 18, 1981

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:15 a.m., in room 4232, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senator Quayle.

Senator QUAYLE. The committee will come to order.

This is the third day of hearings we have had on employment and training issues. Today the committee is privileged to have the Governor of the Commonwealth of Puerto Rico, Gov. Carlos Romero-Barcelo.

You are accompanied by Joan Wills?

Governor ROMERO-BARCELO. That is correct.

STATEMENT OF THE HONORABLE CARLOS ROMERO-BARCELO, GOVERNOR OF THE COMMONWEALTH OF PUERTO RICO, ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION, ACCOMPANIED BY JOAN WILLS, DIRECTOR, EMPLOYMENT AND VOCATIONAL TRAINING, THE NATIONAL GOVERNORS' ASSOCIATION

Governor ROMERO-BARCELO. Mr. Chairman, I am delighted to be here today in my capacity as a member of the Employment and Training Subcommittee of the National Governors' Association. Gov. Pete duPont of Delaware is chairman of that subcommittee and would have presented this same testimony to you today himself. However, Governor duPont, like almost one-half of the other Governors, is faced with a series of unresolved State legislative issues that demand his presence in Delaware 2 hours from now. I know he will look forward to being with you later in the year during your next round of hearings on specific legislative proposals.

We have an excellent opportunity this year to stand back and examine the myriad programs and strategies which constitute the employment and training system and to think through the purposes which brought them into existence. Over the past few months, we have been doing just that in the National Governors' Association with an eye toward sorting out the roles and responsibilities of various levels of government. In employment and training this also means sorting out the role of the private sector. I would like to present some of our thinking to you.

It is clearly in our national self-interest, defined both in economic and human terms, that we make full use of the productive capacity of our human resources. Federal policy has not always been conducive to that goal.

Income maintenance programs, which the National Governors' Association strongly believes must be a Federal responsibility, have become virtually ends unto themselves. The relationship between income maintenance programs and employment and training policy should be such that income maintenance programs are reoriented to have eventual employment and self-sufficiency as their organizing principle. Employment and training policy with regard to welfare recipients should be geared not merely to cost reduction for the welfare system but, rather, to enhancing the full productivity of the person through such means as job-search assistance, training programs, and support services as needed.

We believe that work requirements in income maintenance programs are appropriate and believe further that grant diversion, if carefully structured, can be used as a stipend to sustain a person through a course of training which leads to self-sufficiency. Our goal in income maintenance programs, in short, should be to provide people with the wherewithal to become members of the labor force.

The Federal Government also has a responsibility to those persons with a strong attachment to the labor force who have become unemployed. For some people, this situation is short-term, and our basic social insurance program, UI, tides them over. We need programs of job-search assistance and a strong labor exchange function to make sure that their period of unemployment is short.

Other persons lose their jobs, however, because of dislocations caused by decisions related to international trade. Our current TAA program has been growing each year, but its focus has been too narrowly conceived as income maintenance. It should be reoriented to provide job-search assistance and to emphasize retraining of affected workers so that their separation from the labor force is kept to a minimum.

Federal decisions in other policy realms besides international trade also have differential effects on our subnational economies which carry severe ramifications for the workforce. The location of the MX missile, a military/defense decision, and the development of the western slope of Colorado, an action related to energy policy, are examples of decisions which have enormous employment-related consequences which can hardly be left solely up to the affected States to resolve by themselves. When the Federal Government makes these kinds of decisions, it must supply the money for training programs which will insure an adequately prepared work force to carry out the decisions.

The Federal Government also has a compelling interest in helping those persons who are at risk in relation to the labor market and who, in the absence of intervention, might become clients of the income maintenance system. These include, for example, the handicapped, disadvantaged, limited English-proficient, older workers, youth and women. The Federal Government has the responsibility for specifying who should be the targets of federally funded efforts.

In response to one of the questions raised during the hearings, Mr. Chairman, of what it is that we are trying to achieve with employment and training policy, I would suggest that the answer is, as I stated, the full use of the productive capacity of our human resources. What I have been identifying in the preceding discussion, however, is different groups in our population whose lack of attachment to the labor force or dislocation from the labor market have different causes. Their problems must be delt with distinctively and differently.

The worker dislocated by trade policies, the welfare recipient who lacks jobs skills, the young person who does not understand the labor market, all are being underutilized but their problems are different. I would suggest that it will not be possible in just one piece of legislation to address all of the various causes of underutilization, but I also do not believe that this is a cause for dismay.

I would like to turn our attention to some of the other questions. One of the major ones has to do with coordination.

It must be recognized that Federal programs do not stand alone but exist in the context of ongoing State activities. States have the constitutional responsibility for educating their citizens, and increasingly we are recognizing that this educational process exists in the context of labor market needs for workers and human needs for employment. The States spend many billions more than the Federal Government does in preparing our citizens for the work force. In vocational education alone the States spend approximately 11 times the Federal contribution.

It is totally unrealistic to assume that the Federal Government can coordinate all of this activity through a single piece of legislation, as you told the CETA system to do. It is also unrealistic to assume that coordination can take place if you bypass the States, where the vast bulk of the spending takes place. Coordination can only take place at the State level and only then with leadership from the Governor's office.

I would like to interject here at this moment that, ever since I have been in public office, when I started as a mayor more than 12 years ago, I always wondered why the Federal Government had grouped health, education, and welfare together in the then existing Department of HEW. It seemed to me that it would be much more logical to have labor, education, and welfare together. Those three activities work together. Unless one realizes that education has a direct relationship to labor opportunities and the work force; unless we realize that the opportunities to work and to be trained also relate to whether a person is on welfare or not, I think we are always going to be missing our target. I think that welfare programs, labor programs, use of human resources, unemployment programs, and education have to work more closely together.

When I started as Governor in 1977 in Puerto Rico, we discovered that the Education Department and the Labor Department never joined together to discuss what were the needs in the unemployment sector in Puerto Rico. Now we have the Labor and Human Resources Department and the education department working together toward solutions to those problems. Unless we coordinate these three areas into working intimately together, we are always going to be behind the times.

In speaking about coordination, I have also answered in part your question about relative roles of Federal, State, and local governments. There is more to be said on this matter. In searching for a balance between Federal accountability and local autonomy, the Congress created liability provisions in the Comprehensive Employment and Training Act which may conflict with the constitutions of over half of the States. In creating Federal legislation, the Congress needs to be more mindful of our Federal governance system.

Under the heading of State responsibilities, I would like to address the issue of insuring quality in program outcomes. The States historically have expressed their concern over this issue in several ways: by establishing State apprenticeship councils, by establishing other boards for licensure, registration, and certification for various occupations, and by mandating minimum competency testing. Only the States have responsibility for such matters, which have a large impact on the training functions of the employment and training system. The Federal Government should reinforce, not impede, the discharge of State responsibility for standard setting. You should hold us responsible for outcomes. But in no case should Federal law dictate the mechanisms by which those outcomes are to be achieved. We believe that States must take responsibility for setting standards for the outcomes of training programs to fully meet their constitutional responsibility for educating their citizens.

In all of this, I have been talking about the role of government, whether Federal or State, in employment and in training. We must, however, also recognize the role of the private sector, which spends billions of dollars on training now and accounts for over 80 percent of this Nation's employment. We have tried many mechanisms in the past for involving the private sector in our public employment and training efforts, with a spotty record of success.

Part of the barrier to business participation has been a proliferation of councils such as JSIP and PIC, to name but two, in which duplication creates the appearance of confusion and in which there is little incentive for employers to become involved. Tax credits have been tried as a means to involve the private sector, but this type of incentive tends to bypass the smaller employer who is more concerned about present cash flow than future tax liability.

On-the-job training is an excellent mechanism for involving employers and is our most successful training approach, but it is also our least-used strategy.

We must continue to explore new ways of securing private sector involvement. You can do that in this Congress by addressing the reauthorization of title VII and the rewriting of the Wagner-Peyser Act in conjunction with each other. Essentially, what we need to develop is a sense in the business community of ownership of the system. Employers and employees alike must buy into the system.

We have a model of such a buy-in in the labor exchange function. I would suggest that we spend some time now, while we have this opportunity to reexamine our present employment and training system, to explore a tripartite configuration for a new system, one that would involve employers, employees, and government, all of whom have a critical interest in insuring the fullest use of the productive capacity of our human resources.

Before finishing, I would like to add that very often Federal laws, rules, and regulations create problems which are beyond the control of the States and local governments. There does not seem to be any Federal policy to address itself to those problems, one of which comes to mind is immigration. There are no rules whatsoever and no effort made by the Labor Department or the immigration offices to even orient the immigrants as to where their skills and knowledge may be useful.

I do not see any reason why an immigrant who is allowed residence in this Nation while he is in the process of becoming a citizen, is not at least required or allowed to work only in those areas where his skills and knowledge are necessary and where shortages exist. These individuals should at least be oriented to those areas where skills and knowledge are required or necessary, and not allowed, without any kind of education retraining, or orientation to establish themselves in areas where their skills and knowledge are plentiful and where it would be hard for them to find a job. He will just be one more member of the unemployment rolls, or perhaps take away a job from somebody who already has a job because he is willing to offer his skills and knowledge at a lesser wage.

There are areas in the country where carpenters or certain skills are needed or doctors and nurses are in demand. There are other areas where they have an excess of nurses, doctors, or an excess of carpenters, electricians, and plumbers. But there is no planned policy, no program to orient immigrants to where those particular skills and knowledge are needed. I think something of this kind should be done with immigrants to help solve tbe problems of those cities and those areas that take in the large influx of immigrants. This is happening in Miami, which facaes a critical problem.

Senator QUAYLE. Do you think that that problem is from a lack of national concern? Or is it more, rather, from an inflexible system that we presently have available to us?

Governor ROMERO-BARCELO. I think it is not a lack of concern. I think there is a concern. But it remains as a concern. Nothing seems to have been done or is being done to solve that. There is a concern, of course. A lot of people are concerned about it. But there does not seem to be any kind of a plan or a search for a real solution.

Senator QUAYLE. What kind of a plan would you suggest?

Governor ROMERO-BARCELO. I would suggest quite a radical plan. I think there is no reason why an immigrant should be allowed to come in and work anywhere he wants when he may be doing one of two things: Taking away a job from somebody else who has it, or else just going onto the unemployment rolls.

There are rules and regulations to allow someone to come in to become a citizen, unless he is married to a U.S. citizen already or unless he has relatives, there are certain exclusions. But somebody that just wants to come in to become a U.S. citizen, live in the Nation, and has no relatives or family here, why should he not be required, if he wants to work, to be able to work, but to work only in those areas where there is a shortage of his skills and knowledge? Why should he be allowed to settle in a community where his skills and knowledge are at a surplus? He is either going to create a problem for the community or create a problem for someone else.

Senator QUAYLE. So, you would have the Government determine what his skills and knowledge would be and then place him in a——

Governor ROMERO-BARCELO. Not place him. Say: these are the areas—you can live anywhere you want——

Senator QUAYLE. What if he does not want to go there?

Governor ROMERO-BARCELO. Well, he does not have to come in.

Senator QUAYLE. Either or? Either go to this place or don't——

Governor ROMERO-BARCELO. Not this place. There should be many places where his skills would be needed and it would help the community. But there will be other places where his skills are at a surplus, and all he is going to do is augment the unemployment rolls or take a job away from somebody else.

If that cannot be done, if that is determined to be unfair to somebody that wants to come in, we will have to think about how unfair it is to somebody that is already in and has a job. If that is determined to be unfair, well then, at least tell him, have information so that he knows where he will be most likely to get a job.

Senator QUAYLE. On page 7 you talked about on-the-job training as an excellent mechanism for involving employers and is our most successful training approach but is also our least-used strategy. In some of the testimony we have had, that point has been illustrated.

How can we get better on-the-job training programs, coordination with the private sector to really put these youth, adults, people on jobs, and keep them there? Do you have any idea about this?

Governor ROMERO-BARCELO. In every community or State you have manufacturers' associations. You have chambers of commerce. You have different commerce groups. You have to make a bank of the needs where you get in all the information as to who wants to expand, how many workers they need. In that way you can work together with them. You have to let them know that those programs are available and help them make the request.

Many times the small businesses and the small manufacturing plants would be very happy to have this kind of help for training their new personnel or they need three or four slots filled. People do not tend to think in terms of—oh, three or four; that's not going to solve our problem. But, if you have 80 or 100 businessmen with 3 or 4 vacancies, that amounts to a few hundred workers.

So, if you have the information available, you orient the small plantowners, you orient the small businesses that these programs are available, and thus, a lot more can be done with the on-the-job training programs. Communities have to get involved with getting the organizations together and letting them know that these programs are available. One would be surprised how many private businesses do not know that on-the-job training programs are available.

Senator QUAYLE. So, it is more a problem of education and communication rather than implementation of any new programs?

Governor ROMERO-BARCELO. Well, the Education Department will also have to make available the skilled teachers to train the people, to help them on their new jobs, to oversee the period of apprenticeship, the training.

Senator QUAYLE. I have one final question, Governor. How much of a role should the Federal Government have in a CETA program?

Governor ROMERO-BARCELO. I think the Federal Government should have an important role for the following reasons. Unemployment in one area eventually tends to overflow into some other area. In other words, if a State has a large unemployment rate, people from that State tend to migrate to the next State that has more job opportunities. So, you are translating one problem to another area. By the time somebody goes from his community to another community that is not his own, he is increasing the unemployment problem that is in the other community, or he is creating other social problems and taxing the housing situation or whatever.

So, I think the Federal Government should be involved. But, at the same time, I think it should require State responsibility. In other words, I do not think there should be job training programs unless they say: well, what are you as a State going to do; you should contribute inkind amounts to this program; and we want to see what you are doing over there.

Unless a State has a good program and unless a State can prove that it is doing something constructive and useful, then the funds should be held back. It should be like a reward for the local effort.

Senator QUAYLE. Do you think that we should work to transfer more responsibility to the States?

Governor ROMERO-BARCELO. And use the Federal funds as a reward for those areas that are doing something positive and constructive about it and using the funds wisely.

Senator QUAYLE. Thank you very much.

At this point we will receive for the record a statement by Senator Paula Hawkins who was unable to be here today but who, nevertheless, has an interest in the programs under discussion

[The prepared statement of Senator Hawkins follows:]

PREPARED STATEMENT OF SENATOR PAULA HAWKINS

Senator HAWKINS. Mr. Chairman, I am sorry that I will be unable to attend the hearings this morning on employment and training issues, especially since one of the witnesses testifying today is from Florida. Mr. David Harrell, a councilmember from Jacksonville, Fla., will testify on behalf of the National League of Cities. This is the third in a series of possibly 15 hearings that will be held on employment and training programs in the United States this year.

I believe this lengthy and comprehensive hearing schedule on the Federal role in employment and training is necessary, because next year we will be facing the momentous task of either amending and reauthorizing the Comprehensive Employment and Training Act, or developing a legislative replacement for it.

The focus of the hearings this year will be to develop the necessary background information necessary to assist us in this task. I look forward to reviewing the testimony of the witnesses today because they have been directly involved in the CETA program as prime sponsors, and you will have the best idea of the programs strengths and weaknesses.

Senator QUAYLE. We will now hear from David Harrell, councilmember, representing the National League of Cities. Good morning, Mr. Harrell.

STATEMENT OF DAVID HARRELL, COUNCIL MEMBER, JACKSONVILLE, FLA., ON BEHALF OF THE NATIONAL LEAGUE OF CITIES

Mr. HARRELL. Mr. Chairman, I am David Harrell, councilmember from Jacksonville, Fla., and vice chairman of the National League of Cities, Human Development Policy Committee. I am pleased to be here today to testify on behalf of the National League of Cities and the 15,000 cities we represent, ranging in size from New York City to Scotland Neck, N.C.

We, too, are grappling with some of the fundamental questions raised by the Employment and Productivity Subcommittee, which you chair, with respect to the appropriate future of employment and training programs. I would be pleased to review some of the tentative recommendations of the National League of Cities Human Development Committee with the understanding that we are still in the discussion stage and that our tentative conclusions are not yet official NLC policy. While the committee has reached consensus on some issues, we have allowed ourselves the luxury of reviewing these positions at our next meeting and changing our minds before making final recommendations to our full membership in November of this year. Unfortunately, Mr. Chairman, we are finding, as you will during your coming hearings, that every definitive answer will generate 20 more questions.

I would like to take one moment to discuss briefly an issue of critical importance to the Nation's cities. At its recent meeting in Indianapolis, our board of directors adopted a policy position on block grants. While we support the concept in principle, we have a number of concerns about turning programs currently directed to cities over to the States. I might add, Mr. Chairman, this concern prevails among city officials regardless of party affiliation, regardless of geographic location, and regardless of city size.

Cities came to Washington initially because their States were unwilling or unable to address the specific problems in a specific area. We have seen nothing so far to indicate that this has changed. Our experience with existing block grants, such as HUD's community development block grant program, show their value in providing flexibility to tailor local programs to national objectives, in planning comprehensive local solutions, in expediting application processes, and in managing the complexity of public and private relationships inherent in the delivery of public services. Similarly, despite all of the problems that have surrounded implementation of the Comprehensive Employment and Training Act, we believe there have been positive accomplishments resulting from the direct Federal/local relationship as opposed to the State direct oversight of the current CETA programs.

We see little likelihood for improvement in employment and training programs if the State bureaucracy is substituted for the Federal bureaucracy. A perfect, recent example of what happens when a State administers a program that is essentially local in nature is that of LEAA. To obtain any funding at all, a local government must shift its priorities to meet the interests of the State, not to address its critical local needs.

With your permission, I would like to submit the policy statement on block grants for the record.

Senator **Quayle**. It will be submitted.

[The statement referred to follows:]

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A Policy Statement on Block Grants
and State-Local Relations

The Board of Directors of the National League of Cities reaffirms its existing policy statements on block grants.

We believe in the block grant approach of consolidating similar categorical programs. Experience with such block grants as community development over a seven year period show their value in providing flexibility to tailor local programs to national objectives; in planning comprehensive local solutions; in expediting application processes and in managing the complexity of public and private relationships inherent in the delivery of public services. We believe that there are many additional opportunities for block grant consolidation and encourage the Administration and Congress to seriously consider them. As a matter of principle, similar programs with similar objectives should be consolidated.

NLC policy does express a number of important principles in the structuring of block grants.

- Programs provided to cities should not have the states substituted as the delivery agent.

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- Program areas with current pass-through requirements from state to local governments should continue to have such requirements in a block grant.
- Consultation with cities and institutions representing cities should be a requirement in any block grant program.
- States should not impose on local government excessive mandates, regulations or requirements in administration of block grants.
- The best case for state administration of programs can be made where states buy-in by supplementing Federal resources with state financial assistance.

The clear lesson of the country's history of intergovernmental relations is that there are three distinct but interrelated partners in federalism; each has responsibilities that it is best capable of discharging. Such responsibilities should be derived according to their primary roles.

In the administration of any block grants, states should demonstrate a commitment to the strengthening of local government, municipal home rule and a participatory process of municipal involvement that strengthens the fabric of state-local relations and contributes to a new sense of vitality and vigor in the intergovernmental system.

Adopted by the Board of Directors of the National League of Cities, May 23, 1981.

Mr. **Harrell**. Thank you, Mr. Chairman. It is attached to the testimony provided.

Employment policy, as you know better than I, Mr. Chairman, is very complex, impacted by decisions in almost every area of Government concern. Foreign policy decisions with respect to trade, facility siting and procurement, tax and spending cuts or increases all affect the overall economic well-being and employment opportunities in local communities.

I might add here, Mr. Chairman, that also under discussion now before Congress is this issue of enterprise zones. It also has a direct effect on employability and availability of jobs within a community.

Since the Federal Government has major responsibility for the management of the economy, we believe it has a concomitant responsibility to provide employment assistance to ameliorate the negative impacts of Federal policy decisions at the local level. We believe national policy should be directed toward the attainment of full employment through a variety of devices such as targeting procurement to labor surplus areas, carefully analyzing the impacts of closing or opening Federal facilities, and providing the necessary funds to enhance employment opportunities for everyone, whether it be through tax incentives to private business or training programs for the economically disadvantaged through local governments.

In an era of fiscal constraint, we believe training funds should be targeted to the structurally unemployed as a first priority. We would define structurally unemployed to include not only individuals with little or no attachment to the work force but also those whose employment skills have ceased to be relevant and whose attachment to the labor force becomes increasingly remote.

The first group of structurally unemployed—the hard-core unemployed, if you will—do not seem to interest the private sector, and perhaps with some justification.

I might do a deviation here from my prepared comments, Senator, to address the fact that we may be dealing with a social problem in a specific community. We might be dealing with what I am going to define as categorical indigency dealing with the lack of educational skills even at entry level, which would not attract private industry. And that is our hard-core unemployed in this specific instance.

It is expensive and it takes time to bring an individual with no skills at all and little motivation into a fully productive position in an economic society. We are willing to provide in the communities the necessary services to bring these individuals to a point where they are ready for job training so long as the expectations are realistic.

We do not have any magic formula for instant success, but we believe that programs have to be tailored to individual need. Some will be job ready in less than a year. Others will take more time. With still others, we will never succeed.

We would like to see greater private sector involvement in training the structurally unemployed through incentives such as wage subsidies, tax credits, and the payment of allowances. We would like to improve local relationships with private businesses by establishing partnerships at the local level to improve training and employment opportunities for the hard-to-employ. And, controversial as it may be, we believe public service employment is an appropriate tool for training. Recent surveys, specifically that by Johns Hopkins, indicate that participation in PSE has enhanced an individual's earning capacity in the long run. We agree that such a tool should be limited in terms of those eligible to participate and should have appropriate time limits. We should like to look at the PSE concept again and refine our policy to avoid the problems we have encountered in the past.

We would like to see better coordination among federally funded programs which stimulate economic development through consistent legislative and regulatory provisions. Here I might add, Mr. Chairman, that having an EDA program or a UDAG program or a community development program with no coordination with specificity in regard to employment practice within a community does not lend itself to full employment and correct utilization of those dollars.

Similar funding cycles and some consistency as to eligibility for benefits would enhance our ability to maximize the impact of Federal expenditures at the local level.

Funding cycles here I speak of are those wherein we will know from the planning stage what is the anticipated resource available to the community for employment training as opposed to possibly having one, two, three funding allocations within a specific 12-month period.

We need better linkages with our educational system. Current law mandates the CETA system to establish such cooperative relationships with local education agencies. Yet, there is no similar mandate that education agencies must cooperate with local employment systems. While there are many occasions when we bridle at the thought of yet another Federal mandate, there are times we would admit they are the only motivating force for things that should be done.

On the question of the basic structure of CETA, we believe it would be poor policy indeed to abandon the existing prime sponsorship mechanisms.

As an aside, I would like to say that, when I was here in May speaking with our committee at the National League of Cities, we discussed at great length this issue of prime sponsorship. We feel as though the infrastructure that is in place dealing with cities and governments of 100,000 or more, and especially where we are dealing with consolidated entities within a State where we have an SMSA that is actively serving, we hate to see that dismantled in light of something that is in the unknown. Here we have 10 years of history, Mr. Chairman, that deals with not only changes in the Federal administrative government level, but we have seen some cyclical changes in the administration from a congressional level and from a policy standpoint within the Department of Labor.

These CETA programs for implementation under prime sponsorship have, in our opinion, been consistent, with inadequacies though they be. We feel that there ought to be a continuation of those units of general purpose local government with 100,000 or more population in that we have 10 years of viable experience.

An additional point I feel constrained to say is that, while we care much about how you design an employment and training program, however it is finally structured, leave it alone long enough for us to figure out how to make it work within the given parameters set forth. Something new every 6 months contributes nothing to and in fact detracts from effective program management.

I think, Senator, you know better than I the growth and impact of programs during the sixties and seventies surely proliferated and added nothing stable for us to be able to develop and from which to grow.

While there was not unanimous agreement among the members of the committee I serve, the majority expressed support for consolidation of the various categorical programs currently available in CETA—youth, private sector initiatives, training programs—into one title. Determinations on how to address the needs of various groups and to what extent should be left to the discretion of the prime sponsor.

The problems, I would say to you, are different in Jacksonville, Fla., as much, sir, as they are in Detroit, with the automobile industry issue today, or as different as they are in Miami or in Puerto Rico, dealing with various immigration problems alluded to by the Governor.

NLC's Human Development Committee also discussed how limited Federal resources should be targeted. We considered limiting employment and training funds solely to areas of high unemployment. We discussed a pockets-of-poverty concept, but we were unable to reach consensus on either issue. Perhaps, in the end, leaving the allocation formula alone may be the better part of valor. There is no eligible jurisdiction with absolutely no structurally unemployed.

Our contention here is that every current prime sponsor area in the United States has structurally unemployed within its system. Every eligible community can make effective use of some employment and training funds.

While the committee did not specifically deal with the question of whether employment policy should be economic or social policy, I believe we will agree it should be both. An employment policy that is solely economic policy would target on all the unemployed. For that, clearly, we do not have the resources in this Nation. A policy that is solely social would run the risk of ignoring those who with minimum assistance would again become productive citizens.

There are some folks today who just do not have jobs because of lack of upward mobility or lack of available jobs within a labor market. You in Congress are doing much to try to assist us in that area. However, we cannot ignore those who are on the periphery, those who are not in the hard core but who are nevertheless structurally unemployed.

Based on my committee's discussions, I believe such determinations can most appropriately be made at the local level. Youngstown, Ohio, for example, might decide its priority had to be economic policy to deal with a plant closing. Detroit might decide its priority had to be a social policy to ameliorate to some extent the effects of budget cuts in social programs. No community should be penalized for making such a choice.

Mr. Chairman, I want to thank you for your attention and for allowing us at NLC the opportunity to make our presentation on employment and training policy to this committee.

Senator **Quayle**. Thank you very much, Mr. Harrell.

You mentioned the enterprise zones. Have you given any thought to incorporating the concept of enterprise zones into the training aspect?

Mr. **Harrell**. No, sir, we addressed the impact of enterprise zones specifically in the economic impact within a community. Some of the concerns we have on a local level is the degree that any ultimate legislation is going to require offsets and ad valorem taxation. I have as much concern there, Senator, as I do with industrial revenue bonds not being industrial revenue bonds anymore. I hate to see us have a proliferation of enterprise zones within the country that really do not add new jobs. And, if they do not add new jobs, then they fail to do what UDAG was intended to do. And that is to help the economically underutilized individuals within a given segment.

We already have the parameters through the CETA definition of unemployment within an area.

Through the training—if I may, Senator, continue for just a minute—if we can get the private sector to be partners in progress employment training—we feel in the NLC that there has to be on any activity board that is going to coordinate and direct employment training, there is going to have to be a partnership with the free market system involved in job placement and on-the-job training or the system is not going to work.

I do not know whether I answered your question on enterprise zones.

Senator **Quayle**. No, what I was trying to establish, was there any thought or position that the National League of Cities has given toward the concept of enterprise zones interrelated to the training aspect. It has been mentioned by a couple of people that this may be a good concept but then have a number of caveats and warnings such as yourself: Does this translate into jobs; is this really going to get into the training aspect?

I agree with you and the Governor. On-the-job training is probably the best kind of training that we can give an individual. It seems to be, as far as from a success and a placement percentage, much higher than any other program that we have.

I was just trying to extract if there had been any talk or discussion of the enterprise zone concept.

Mr. **Harrell**. Yes, sir, there was. The first point is that, if—one of the proposals—and I cannot remember which is the most recent, so, if you will, excuse my ignorance in that area. One of the proposals was that 50 percent of the employment within the enterprise zone must be from those that are—I am going to use the term here again—structural unemployed within the zone.

If our intent is to provide meaningful, long-range employment and to try to create full employment within our society, then we ought not to limit the total employment opportunity to those who either reside or work within an enterprise zone and exclude the balance of the community. I can give you an example of Jacksonville, Fla. We have an area, in my opinion, that will qualify for an enterprise zone geographically. But it might not effectively impact the new Triton missile base area at St. Mary's, Ga., which is just north of us, or in Orange Park, Fla., a small town with a population of 9,000 immediately south of us, neither of which would be eligible for an enterprise zone but both of which have structurally unemployed and underemployed individuals who need upward mobility capacity or entry-level capacity into the work force.

We have to provide, from my perspective, some training ability for those people if they are going to be productively a part of our society.

Senator **Quayle**. In your testimony you talked about the private sector involvement helping to take care of the structurally unemployed through incentives such as wage subsidies, tax credits, and payment allowances. The success of these programs is marginal by anybody's definition. Do you think this is the best way to go and perhaps the only way to go to involve the private sector, which we all want to do? There was conflicting testimony on this issue the day we had all the businesses before us. As to the actual tax credit or wage subsidy, some thought it would attract business, some said it would not.

From your perspective as a council member and somebody who has been interested in the CETA program and private sector initiative, do you think this is the best way that we can go to get the private sector involvement?

Mr. **Harrell**. Yes, sir, I do. Let me expand, if I may, from three perspectives: one as a member of this committee on NLC, one from the perspective as a free enterprise businessman in Jacksonville, Fla., and one as a 10-year veteran in local government. I think that, unless we involve the private elector, all of this is for naught and you ought to close the whole system down. I really believe that. If there is no place for folks to go, if there are no jobs available, and if there is no opportunity for upward mobility, then you have accomplished nothing. That is No. 1.

From my perspective, for someone to be categorically unemployable because of being illiterate, because of not having the social ability—and I tried to address that very carefully in my remarks here—that person is not attractive for OJT in the free enterprise system. So, we are going to have to provide a system to get that individual to an entry level through the community college program, through the skill centers that we have in my community, for instance. And we have a strong correlation between private industry and the public sector. I believe from my personal perspective I have hired individuals and received job credits in my company. As a result, I can tell you that economic incentive does work for me. It does work in Jacksonville, Fla., for businesses to receive job credits of some sort. It is an economic incentive.

The business to which it is not an economic incentive is the majority of the businesses in this country, and that is the small business which merely break even. If they are just breaking even or showing a loss, a tax credit does not do them a lot of good.

That is why direct economic incentive of some sort on a cash basis is going to be necessary. I would call your attention, Senator, to an article, if I may take just a second, that was recently done. It gives some reference to this. It is by Ken Clark and Lawrence Somers. Mr. Clark is assistant professor of business administration at Harvard. Mr. Somers is assistant professor of economics at MIT. In this article they talk about the employment training program and its cost to bring someone into the system as opposed to on-the-job training. I will be glad to furnish this to the Senator, if you will like. It is excellent.

Senator QUAYLE. I think it would behoove us both and the committee to submit it for the record.

Mr. HARRELL. I would like to, Senator.

Senator QUAYLE. Without objection, it will be printed in the record.

[The indexed reference of the article referred to follows:]

UNEMPLOYMENT RECONSIDERED

(By Kim B. Clark and Lawrence G. Summers, Harvard Business Review, November-December 1980. P. 171 ff.)

Senator QUAYLE. I have one final question. You are a businessman. You are a 10-year veteran, as you said, in the council in Jacksonville to make that area a thriving, growing metropolis, which it is. What would we do to change the CETA system to make it better?

You mentioned in your testimony that the prime sponsor concept was something that you continued to support. Where should we be channeling our emphasis and our concern when we go out to have field hearings around the country on the CETA program itself: The prime sponsor, subgrantees, the Department of Labor, the whole system? Can you give us a little bit of guidance?

Mr. HARRELL. It is going to be personal perspective. This is not NLC.

Senator QUAYLE. This is personal perspective and not NLC.

Mr. HARRELL. Senator, the thing that I have found over the time I have been involved in either PSE or CETA over the last 10 years has been that, as the guidelines came down from DOL, we in the local government were told these are the parameters within which you must work. You must hire so many people from category A. You must train so many people from category B. You must meet the equal opportunity employment requirements, the EEOC requirements right down the line. In our situation in Jacksonville, I think that CETA has been a reasonable success. My biggest criticism of it on a local level is that it did not reach the whole SMSA.

We retained, if you will, Jacksonville, Fla., Duval County, and did not extend it into Nassau County, into St. Johns County, Clay County, and Baker County. Baker County has a high unemployment rate. St. Johns County has a strong tourist attraction. Nassau County had formerly a reasonably high unemployment rate because of the reduction of the shrimping industry up there.

I think that, No. 1, we have to, from a DOL standpoint, look at implementation on a broader scale.

NLC, I do not think, agrees with what I am telling you now. I am telling you my perspective.

I think you have to look at coordinating. I do not think you can take a Jacksonville, Fla., which represents 75 percent of the population of northeast Florida, and disregard the impact it is going to have on the surrounding areas because of the infusion, and we provide all the jobs of the surrounding areas. No. 1, I would say we have got to go to a broader geographic area and recognize that just because we are the prime sponsors in Jacksonville we cannot exclude those in our SMSA. That is No. 1.

No. 2 is the parameters within which the system must work. There needs to be a greater flexibility with some audit controls on a Federal level.

As an example, do not tell me that I need 1 manager and 4 assistants for every 10 people I am going to put through the system, if that happens to be the parameter, when I might only need 1 manager who might be sharp and I do not need those 4 assistants. I will put that other $30,000 or $40,000 back into employment training.

As it is right now, our structure is such that we are almost told how many employees we need, how much square footage we need, and what the utilization rate ought to be. You do not know that in Washington in relation to Jacksonville, and I do not know what it is in relation to Denver or Dallas. I am just saying there ought to be some local option in local government which the parameters for implementation, the staffing levels on a local level, and maybe even submit it at the time of grant application to the Deprtment of Labor or wherever the central clearing point is going to be.

Senator **Quayle**. Thank you very much.

Mr. **Harrell**. Thank you, Senator, very much.

Senator **Quayle**. I look forward to further communication. If you have any other thoughts supporting or speaking for NLC or personally, we would be more than interested in having them.

Mr. **Harrell**. Thank you, Senator.

Senator **Quayle**. Next from the U.S. Conference of Mayors is the mayor of Baltimore, William Schaefer. Good morning. Welcome.

STATEMENT OF HON. WILLIAM DONALD SCHAEFER, MAYOR, THE CITY OF BALTIMORE, MD., ON BEHALF OF THE CITY OF BALTIMORE, THE BALTIMORE METROPOLITAN MANPOWER CONSORTIUM, AND THE U.S. CONFERENCE OF MAYORS, ACCOMPANIED BY MARION PINES, MANPOWER DIRECTOR, THE CITY OF BALTIMORE

Mayor **Schaefer**. Mr. Chairman, first of all, I want to commend the previous speaker. He was excellent. He said a lot of the things that we are very interested in as far as manpower is concerned.

I want to start off by thanking you for allowing us to testify. Jobs and manpower training for a city like ours is one of the most important elements for improved urban livability.

I would like to introduce to you Marion Pines, who is the best manpower director any mayor has in the United States. She is the manpower director for the city of Baltimore.

I would like to give you some background. Marion runs one of the most successful manpower programs in the United States. We utilize Federal funds in the proper way. We used public service employees not as makeshift workers, but instead as valuable contributors to the city's economy. That, however, is past history.

What we want to try to do today is look to the future. What are we going to do now under new circumstances and a new administration? Let's not worry about what happened in the past. Let's look to the future. I said that recently to the U.S. Conference of Mayors. I said the battle of the budget is over. It is pointless to sit and moan about the battle of the budget. Let's see what we are going to be able to do with the money we have available and how we are going to work it out. They thought it was fine to say that, but they would much rather moan a little bit more. But I think I finally got the point over.

I do not know if you have been to Baltimore. If you have not, it is one of the truly great cities of the United States. Every mayor who appears before you will tell you that.

Senator QUAYLE. I have been up to see your Orioles play. Can you do anything about them getting back up there? My kids miss them.

Mayor SCHAEFER. At 2 o'clock today, Kenny Singleton is coming in. We're going to have "kisses" for Kenny. Kenny, by the way, is a great ballplayer. He is well liked by the senior citizens—he gave us 2,500 free tickets for senior citizens. Today is his birthday and we are going to bring him down and sing happy birthday. If you have time, come on over.

Senator QUAYLE. Thank you for the invitation.

Mayor SCHAEFER. Seriously, if you have not been to Baltimore you should come. Baltimore was in bad shape about 10 or 15 years ago, but it has made marvelous changes over the last decade. It was all made possible by the assistance of the Federal Government, the State government and our own local initiative. I am not just saying this. If you could see the city, you would see what I mean. We do invite you to come over. It is not very far away.

What we want to try to do is continue the momentum of a great city. We do not want this momentum to die. We do not want to slip back. We want to keep moving forward. And we can do this. There is no question in my mind.

What is the major objective that we should talk about today? Of course, from my standpoint it is jobs, how to get jobs for people. If you can look at the problem of unemployment, you will see it reflects on crime rates and all the many other urban problems that you are so familiar with. Our sole objective is to try to get jobs for people in the private sector, the public sector, jobs, no matter where they are. That is what we are going to talk about today. Our President said to us the other day: Let's reason together, let's talk together, let's shape a useful role for employment and training. And that is what we want to do.

I want to try a new approach. Let's stop thinking about CETA as a social program and recognize what it really is, and that is a tool for economic development, an economic development tool, CETA. What we want to do is train a labor force and support economic development activities at the same time. As an economic tool, employment and training works hand in hand with economic development activities.

We want the flexibility to continue to use CETA funds to improve the livability of our city. Making a city livable is not merely cosmetic. If you make it livable, it becomes a good city. We have learned that wider walks, trees, benches, museums, and music all help to create an environment that attracts private investment, and that means jobs. If you have a city that is alive and moving, you can bring private investment in, and you get jobs. And that is the name of the game.

We want the flexibility to continue to use CETA funds to help with site preparation, public infrastructure improvements, and loan packaging, all toward our goal of facilitating private development, which means jobs.

Incidentally, this approach works. If you are able to set up the infrastructure that eases the entrance of new industry, they come and new jobs are created.

For the past 7 years we have been using our community as the training ground for our unemployed, and the payoff is tremendous. Our unemployed get experience, valuable training, and develop pride in the city and themselves. In exchange, the city gets visible and lasting improvements. And eventually private employers get these experienced, well trained, motivated workers, and the incentive to expand and grow in our city. So CETA has been, and continues to be, a very vital part of our renaissance.

CETA is an economic tool: It is used to train the labor force, support economic development activities, enhance urban livability, attract new private investment, increase new business development. The bottom line is one thing called jobs. That is the most important part of what we are concerned with.

I have been asked the question: What would you do, if you could, for the unemployed? I would get jobs for them. There are 40,000 people in the city of Baltimore who are unemployed. What they need more than anything else, are jobs. Now, how do we put the unemployed to work? There are a number of ways that we think it can be done.

One is tax incentives and better wage subsidies to private employers.

Another is good education and training programs to increase worker productivity to meet local labor market needs.

Another is economic development to create more jobs and another it better job information and matching services.

Those are some of the goals that we hope that we will be able to meet. Again, the bottom line, of course, is always jobs.

I would like now to just very briefly tell you what we would like to do as far as linking CETA and the private sector.

Ms. PINES. This is a very unrehearsed show, Senator Quayle. The mayor told me about this in the car coming over.

Senator QUAYLE. Those are usually the best kind.

Ms. PINES. I hope so.

I know that you have been hearing a lot of testimony today about the increased role of the private sector. We feel certainly that the spotlight has shifted there. We have given a lot of thought to how to increase their role. We have been fortunate in Baltimore in that we have had some large-scale demonstration programs, the most important being the youth incentive entitlement program, that allowed us to experiment with new ways of interfacing with the private sector. There are a couple of things we have found to work.

It may be heresy to say, but we think that we have been overly cautious in the kinds of subsidies and interface that we have had with the private sector. We are talking about training people who are, as you have heard described earlier, largely unemployable. The private sector will not hire them unless there are significant wage offsets or they arrive at the gate with a lot of advanced training.

We feel that OJT is an excellent training strategy. However, we do not think it has been utilized as much as it should be because it has been too restrictive. A 50-percent wage offset during a training period is simply not sufficient to encourage the private sector to hire the unemployable or the structurally unemployed. I know you have heard other similar testimony earlier this week perhaps from the private sector.

Let me just cite an example. If an employer has to pay a supervisor $10 or $12 an hour to supervise one or two new untrained employees, our paying that employer $1.75 or $2 an hour as half the wage offset simply is not worth it to him. He is paying that supervisor. That supervisor's time overseeing the trainees is all downtime for him. So, we are suggesting that you look very seriously at liberalizing OJT. The payoff on OJT is terrific. But we simply cannot get our foot in the door with that kind of restriction on the 50-percent wage offset.

We are suggesting you think about a 100-percent subsidy walking in the front door and then gradually reducing it as the workers become more productive. But we need to get our foot in the door with these workers. Once employees have a chance to look at these people, they find they are really not so terrible after all; but we have got to have a lot of sweeteners to convince employers to give them a chance.

Senator QUAYLE. Would this be direct cash payment to business?

Ms. PINES. You could do it in several ways. You can be invoiced back from the employer. In other words, he can invoice us for the number of hours the people have been in training and then we reimburse him. Or what we did with the youth program is simply kept workers on our payroll for a period of time while they were outstationed in the private sector, giving the employer a chance to train, to supervise, and to look them over. We then found the takeup rate was very good. But getting in the door is the key—there are many problems with putting people on a private payroll, particularly if they have a reputation for being unstable workers. Employers are afraid of their unemployment insurance exposure. They are afraid of their workmen's compensation exposure. They are concerned with more social security payments.

But by keeping trainees on a public payroll and outstationing them for a period of time, we were able to diminish those kinds of impediments and negative exposures in the private sector and make new inroads. I think at one point we had a thousand kids outstationed in 250 businesses, something that we would have never been able to do otherwise.

There are really two kinds of approaches: on-the-job training at a higher wage subsidy and outstationing people, keeping them on public payroll for a long audition.

I know TJTC is up for reenactment. It is a great idea, but we think it needs to be greatly simplified. Frankly, I thought it was going to be the greatest manpower strategy that ever came down the pike. I was surprised it did not take off more than it did. But it was too complicated. It goes through too many hands, too many pieces of paper, it's too restrictive in terms of the categories of people you can get tax credits for. Generally we need to simplify and streamline the TJTC.

But I do think that all of this should be looked at as part of a package: incentives, subsidies, liberalized OJT. This is one way of increasing the involvement of the private sector.

Private business people are concerned. We have gotten their ear now. But we cannot expect them to take up all of the slack unless we agree to pick up part of what they see as their nonrecoverable costs.

Senator QUAYLE. What kind of success have you had in placement where you have kept the people on your payroll and have the on-the-job training?

Ms. PINES. I was afraid you were going to ask me that, so I got some of those figures yesterday.

The entitlement program is tapering down and is going to end in August. We looked at the last group of 150 kids that are coming out in this last quarter. We had a 50-percent takeup rate by the employers of these last 150 kids. And the transition effort is not yet over. I think we will have even more placements.

Senator QUAYLE. What is the average length of the OJT?

Ms. PINES. The OJT really depends on the occupation that you are training for.

Senator QUAYLE. Yes, I realize that.

Ms. PINES. It can be anywhere from, I would say, probably 3 months to 6 months. It depends. The more complex the skill the longer the period of subsidy. We are constrained by this. The dictionary of occupational titles lists the complexity of the job and the amount of time it normally takes for training. We cannot sign a contract with an employer that subsidizes wages for longer than that period that is authorized.

Senator QUAYLE. Let me run by you an idea by that came up in our hearings before. I think they were from South Carolina. It was a for-profit corporation that dealt with training. They would not get reimbursed until the people were actually in permanent jobs. I think they got $1,000 or $1,500 for every person that they placed on a job.

Is that kind of a concept practical at all? Have you heard of it?

Ms. PINES. We do this in Baltimore. We have something we call performance contracts. We do it when, for example, we are engaging contractor to train someone in a skill, such as welding or word processing. We write the contract so that the full payment to the vendor, to the trainer, is not complete until the people are placed in unsubsidized jobs.

It sounds like you are going to get 100 percent placement, but you must realize that they cannot control the absolute number of jobs in the private sector, but performance contracting can be a terrific motivater.

Senator QUAYLE. Is that a good concept?

Ms. **PINES**. Yes, it is an excellent concept. What we are concerned about is job placement, and we are going to put our money on the final payoff.

Senator **QUAYLE**. Yes, that is the way they operate. They only operate on the final payoff. They had a lot that did not make it that far, but they were only paid on——

Ms. **PINES**. You cannot have all your money tied to final placement because then your contractor may have a serious cash-flow problem. During the whole period of training, he may have no resources with which to pay the staff and to meet the other expenses of running a training program. So, you would be dealing only with probably the wealthiest firms, and I do not know if even they would want to put all their money up front. Depending on the program model, final outcome could be 9 months or a year down the line. So instead, we stagger the payments in our performance contracts based on achieving certain other benchmarks, for example, keeping people in the program, achieving certain competencies. And then the last payment is on final job placement. But if you hold up all your money until the end, you could have serious cash-flow problems with your contractors.

I think of concern to all of us in the system around the country is the way in which the money, the much-reduced pot is going to be divided under any kind of reauthorization. This has great implications politically and we do not underestimate the political problems here at all.

And I am not even sure, as the council member said before whether he was speaking with the official position of NLC, I am not sure that we are speaking with the official position of USCM here.

I would urge this committee to think seriously about some geographic targeting of these resources. With a smaller pie, we are just not convinced that every jurisdiction, rich and poor, should be getting a slice. I think that you are going to have to make some very tough decisions about where you are going to get the biggest payoff and where the greatest need is. We would suggest that you target this money to areas of greatest need.

Obviously, we feel strongly about going directly to the local level, and you will hear a lot more from Mayor Schaefer about that issue.

One alternative—and we were interested to hear council member Harrell mention this—we operate a consortium in the Baltimore area. That consists of the entire metropolitan labor market. We suggest that, as an alternative to State funding, and if you are moving away from funding individual localities, that you consider the efficiency and the good sense it really makes to go directly to labor markets and to begin to fund an SMSA, giving one local jurisdiction the administrative responsibility. You have got to hold some elected officials responsible.

There are a lot of reasons why this makes sense. First of all, from the private sector viewpoint it makes eminent sense. They hire their workers without regard to which political jurisdictions they live in. They are not just looking for workers from Baltimore City, Anne Arundel County, or Howard County. They are looking for people within an easy commute. Easy commutes these days crisscross political jurisdictions.

Consortia also make a lot of sense in terms of skill shortages. If there is a skill shortage, for example, of welders in the Baltimore metropolitan area and we did not have a consortium, we could have five welding training programs with five contracts possibly written to one vendor and pay five administrative cost overheads. So, it makes an awful lot of sense from the private sector's point of view to deal with the labor market needs in terms of skill shortages, and in terms of saving administrative money to run this grant on a labor market basis.

We urge you to think very seriously about targeting the money and giving it to those areas of greatest need.

Mayor **Schaefer**. The most important thing is to target the money to areas of need. I understand the political implications of saying you cannot give something to a rich subdivision because they are rich. I understand that. What has happened in our State is that they are withdrawing funds from the city in proportion to its relative population. But we still have most of the disadvantaged, most of the unemployed, most of the youth in the cities, 50 percent of the black youths in the city are unemployed. While you take a proportionate share from all the subdivisions, you should give more to an area of need.

I cannot seem to get that point over. When you take away from the unemployed black in the city, he does not disappear; he is still there. If you take away from unemployed in other areas where there are greater opportunities for employment, it does not have the same impact. So, targeting to areas of need is one of the key points to successful manpower training.

Now this issue is a tough one. I heard Governor Romero-Barcelo. Incidentally, he was a mayor before, and when he was a mayor, he said don't go to the State. Now he's a Governor and he says go to the State.

Senator **Quayle**. Has he been enlightened or not?

Mayor **Schaefer**. No, he has lost the enlightenment. [Laughter.] I worry about the block grants under certain circumstances. What happens if a State forces urban-rural confrontation in the State legislature. Baltimore City, at one time, had a population of a million; we are 787,000 now. The counties are beginning to have much more strength in the legislature. It is the city versus the counties. We still have the concentration of the poor of the city and the other counties are very willing to accept that. But if they are willing to let the poor stay in the city, then, they ought to be equally happy about giving us additional resources to deal with the associated problems.

So, if it goes to the State, confrontations between rural and urban areas will result, and we will come out second best.

Another block grant issue is the historic insensitivity of State governments to urban needs. We do not like to talk about things like this, but it does actually occur. Many State government people have never walked around and seen the poor. They talk about it but they have never walked the alleys and seen the unemployed person. They have not seen a person in real need. They have not seen senior citizens who need some additional funds. That insensitivity inherent to the block grant worries me.

Block grants will also increase administrative costs and redtape. That will happen. At least 10 percent will be siphoned off by the State when the money comes down and we may get the remainder. If all the block grants go through the State, 10 percent plus 15 percent could be siphoned off by the State for administrative costs. So, we will get about 75 percent of what is left. That will happen. They will build up a bureaucracy on the State level. And they are one more step away from people, one step away from people.

For instance, we have a camp called Camp Concern in the city of Baltimore. The camp's budget was recently reduced because it was not a statewide program. We know it is a good program in the city because it takes care of about 4,000 or 5,000 black youngsters who would otherwise never have the opportunity for a camping experience. Camping is an important part of every youth's life. But the State cut the program because it was not a statewide program.

This is what I have been talking about, insensitivity and higher administrative costs. Money will be siphoned off from the areas of need. That is why there must be some statement in the legislation that says States may take only 4 percent for administrative costs and not, as the present administration bills say in many instances, that there is no restriction on administrative costs. I worry very much about this possibility.

Senator **QUAYLE**. I think that the latest version adopted talks about 10 percent.

Let me ask you a question on that because I think it is very important and very fundamental to this whole block grant concept. Would you prefer to deal with the bureaucracy in Washington than the bureaucracy in Annapolis?

Mayor **SCHAEFER**. Yes, absolutely.

Senator **QUAYLE**. Is that the case of all mayors?

Mayor **SCHAEFER**. I do not know.

Senator **QUAYLE**. I do not think it would be the case with the mayors I know in Indiana. Sure, they do not particularly like going to the State. But, if you give them a choice of dealing with Indianapolis or Washington, they will take Indianapolis almost every time.

Mayor **SCHAEFER**. Let me tell you a little bit about Washington. You know, you all get a bad rap.

Senator **QUAYLE**. Go ahead.

Mayor **SCHAEFER**. Let me try to put it into perspective when I said come to Baltimore. I am proud of what we have done with Federal funds. I cannot seem to get this over to Senators and Congressmen. But if you could see how well we utilized the Federal funds, if you could see the manpower programs that we have, you would be pleased. Public service employment was not a bad name in Baltimore city. It worked. It worked. And this has been proved by the recent Johns Hopkins University study that showed that the public service employees, the CETA employees in our city, in our area, not only got jobs, they got better jobs. And these same results are shown in the Labor Department's own continuous longitudinal manpower survey. Public service employment programs worked!

Our relationship with Washington has been a good one. We have worked hard. Marion has some very fine contacts with the people in the Labor Department. They've seen the successes in Baltimore.

What we need is a little bit more flexibility on what we can do. But if you go through the State, I know exactly what will happen. They will have to siphon off money for administrative expenses—money that could be invested in training programs. They will distribute the money in every subdivision because the Governor feels he has to do it. He has to do it. I like the Governor; he is a nice man.

Senator QUAYLE. Be careful. Mayors become Governors. You may be sorry for all of these things you are saying.

Mayor SCHAEFER. You know, I get accused of this, that what I'm trying to say is political. But this is very serious with me. I'm not trying to put the Governor on the spot or anyone else on the spot, but I just know what happens. It has happened before and it is happening now. They take our money. When I say our money, our money is the money for the poor, the underprivileged, the people that need the jobs.

Look at a city like ours where all around it are affluent counties, they are fine, they are in great shape. Their tax rate is one-half of ours. They have no public housing or at least very little public housing. Their unemployment problem is not the same as ours. The concentration of unemployed blacks is in the city. The insensitivity to our problems will be a disaster. We can deal with Washington because I think you better understand our problems.

Our programs work. We make them work. That is why we say come on over and let us show you how your Federal funds are used. If we can't show you the accountability and how the funds are used, then I would say: fine, give it to the State, because we don't know how to run the program. But we know how to run it. You should not allow our money to be siphoned off for the State administration. They'll set our priorities from Annapolis. They do not understand what the problems are in the city. They say: well, you know, "you've got most of the money now, so we have to take a proportionate share from you." That is not right, not with a subdivision that needs the money. I worry about that.

So I am for block grants, but the flexibility should be given to Marion. Marion should be accountable to you or to the Governor. The flexibility needed to run successful programs must be ours.

Senator QUAYLE. I think inherent in the block grant concept is to try to hand the decisionmaking process to people like Marion.

Mayor SCHAEFER. But it will not go to her. Senator, it will not go to her. The President was a great Governor. In his State it might have worked, and as a Governor he might have been able to do this. As a practical matter, take it from a working mayor—I have not heard a mayor yet that said: "give the money to the State and we'll be in good shape." It does not work that way. The State legislature will have a hearing and they will make the decision for us. We will not have the flexibility. They will tell us what to do.

They do not understand the problems of the poor, unemployed blacks. And that is what I am so worried about.

On accountability, I am perfectly willing to account to the State or anybody else. But—give *us* the flexibility.

Senator QUAYLE. I think everybody agrees on accountability. I think that that is one of the keys on which we will have bipartisan support. The question is whether there is going to be control here in Washington or whether it is going to be controlled by the States. At least right now the momentum is building in the direction to build more of the partnership with the States and let them make many more of the decisions and determinations rather than having those decisions made out here in Washington. That was inherent in what this administration, this President campaigned on. I know he did not carry Maryland, but still that is inherent in the whole concept.

Mayor **Schaefer**. But if we can show you it is wrong, if we can show you why. This message comes through loud and clear from us on every occasion. I understand party discipline and I am for it. I am for the basic principles that the President has and I share his goals.

We are perfectly willing to work with what we have We are now trying to decide what are the best and most valuable services for the people. And I can tell you the Governor is a far step away from the actual people. When the State head of social services makes policy and says: we are going to cut your money out on a program that we know is important, there is insensitivity. I think the money has got to come directly to us.

Senator **Quayle**. I would say if it does not work then we will have to change our mind. But what I would like to add for the record is that the delivery of services in this country—maybe there are exceptions; there are many fine programs and many fine examples that we can point to, but, overall, the delivery of services, of human services in this country has been very poor. There should be a great amount of improvement on the delivery of social services and human services in this country. The question is how are we going to improve that.

The concept of transferring the decisionmaking policy back to the States and local communities is a way that many people think is the way to improve the delivery of the human services programs. This is an ongoing argument. The problem is that in the past the performance has not been to the degree of satisfaction that it should be. That is probably a fairly universal opinion.

Mayor **Schaefer**. Senator, you are a Senator and I am only a mayor. But I can tell you——

Senator **Quayle**. You are much higher than I.

Mayor **Schaefer**. Oh, no. You make the decisions and you will affect the lives of everyone in our city. You really are.

I do not agree with your analysis. You see, there is a common consensus that public service employment did not work. I can show you it did work, but nobody will listen to just a little mayor from Baltimore who tells you that the programs worked. Why not take our program, why not come down and see the success that we had rather than saying that just because some programs did not work someplace else we are going to change the whole system. We had a working system, a working system.

Senator **Quayle**. I do not think anyone is saying that public service employment per se did not work. I think what we are questioning is, should the Federal Government be involved in public service employment, period. I do not think that it did not work or was a failure. My question is from a philosophical basis: what is the Federal Government doing in public service employment anyway? I agree it probably worked in Baltimore. I know cases in Indiana, Fort Wayne, and Indianapolis, that worked. But the question is, should the Federal Government be involved in it, not whether it worked or not.

Mayor SCHAEFER. Let's assume you are right and public service employment is over. I assume it is dead. Fine, but you have a chance now not to saddle us with an administrative loss of funds and with inflexible programs. I will tell you now, put in the legislation that the money is to go to areas of need—I will settle for that. If you put in the legislation a 4- to 10-percent cap on administrative costs and build in a formula that says the money must go to areas of need rather than a general distribution, then we will be fine; we can do it.

Senator QUAYLE. I can reasonably assure you that we are going to try to make sure that that administrative cost is fairly low. We certainly do not want to engage in transferring one inefficient bureaucracy to another.

The flexibility, I think, is a key word in developing a program that is going to work. I am for it, and I think everybody else is for it. How we adopt that flexibility is a consensus that we must decide and build upon.

Mayor SCHAEFER. Let me make one more plea. Build into it "areas of need." Please, just put that one little clause in: "areas of need." Certain counties around our city are so wealthy that the tax rate is $1.60, and ours is almost $6. They need some of these programs like I need seven heads. Just build in the words areas of need so that the poorer areas are protected. I can live with that and hope that the Governor and the rest of the State will understand that there must be a special concentration of resources in a city like Baltimore, where the poor are. You know, if I could pick up the poor and distribute them all over the State, that would be one thing. And if we could pick up public housing and say: everyone take a proportionate share of public housing, that would be one thing. But it does not happen that way. For years, we have heard: build the public housing in the city of Baltimore, keep the poor in the city of Baltimore. But we need the resources.

Just "area of need," and I'm set.

Next, are the keys to success. We need a stable national commitment; one that will avoid new programs and policies every year; one that will provide a single, stable source of money instead of several different sources each year. We need a commitment so we will know what direction we are moving in, and Marion will know how she is going to manage the programs.

I keep talking about local control, where we call the shots but are accountable to the State or Federal Government. Flexibility, we need to be able to move. If the lines are so drawn that we have no flexibility and we are forced to stay within certain restrictive guidelines, then we cannot move and manage our programs effectively.

Of course, we want to be held accountable, we want to ccount. I do not want you to give us money if you cannot come to Baltimore and see where it goes. Accountability is very important as far as we are concerned.

Ms. **Pines**. With all the talk about block grants, we have been trying to figure out an approach to suggest to you. We need to simplify this maze that we now have in CETA legislation. The mayor feels very strongly about the link between job creation and training. Economic development activities are extremely important, particularly in areas like ours.

In reviewing history, we found the old ARA, the Area Redevelopment Act, of the 1960's that did link economic development and job training. We would like to suggest to this committee that you begin to think about that same linkage again during the reauthorization proceedings. Think about a title to fund economic development activities, another title for adult training that would begin to improve the productivity of adult workers, and a third title for youth employability development.

We commend this committee for its continued interest and support of a separate title for youth because we feel very strongly that youths present a different set of problems.

The way you could leverage the economic development funds is by requiring that a percentage of the jobs that are created in any kind of economic development investment be reserved for the people who are eligible for the other titles of training. For example, we are dealing now with a foundry, trying to pursuade them to locate in the city of Baltimore. We are hoping to offer them low-interest loans. But the quid pro quo for their getting a low-interest loan and locating in the city will be that 50 percent of the people that they are going to hire are going to be CETA-eligible. We are leveraging their investment, and at the same time, and making sure that the jobs being created as a result are going to go to the people who need the jobs the most. The best way to do this, though, is to formalize the linkage in one piece of legislation.

The actual percent of the new jobs that might be reserved for the trainees should vary upon the economic health of the community. This is the necessary flexibility that we have been talking about.

Senator **Quayle**. Do you have written details on this kind of a concept, this kind of a plan?

Ms. **Pines**. It is in the mayor's testimony, but we would be glad to discuss it more with you.

Senator **Quayle**. This is what we are interested in. We are not at the formative stage now. We are really just gathering facts via the hearing process. These types of concepts of what you think would be workable is precisely what we are going to be very interested in.

Ms. **Pines**. We are trying to work this out at the local level. Informally, the mayor's economic development council and our office work very closely together. Any time an industrial revenue bond is issued to a company, we are invited to the hearing to talk about what the employment plans of the companies financed by the bonds are going to be. I think many communities are beginning to move in this direction. The time has come to formalize the linkage.

Senator **Quayle**. I think it should be given very serious consideration. I really do. That is why I would be glad to get more details.

Ms. **Pines**. We also strongly emphasize that youth not be lumped into a catchall training kind of a grant. Their needs are very different. The strategies to improve the employability of kids are just very different from those for adults. Many of them are not ready to go into occupational training. Twenty percent of the kids in our entitlement program last summer who were high school graduates were still reading below the fifth grade level. That means we had to give them a lot of additional educational training before we could even think about getting them a job.

We are experimenting with many kinds of alternative education programs, from computerized learning to individualized learning. We have eight different kinds of alternative education models.

The youth and adult strategies are very different. If kids are lumped into one block grant with adults, there is going to be a very nonproductive competition for a very limited number of opportunities. So, we urge you to think along these lines.

I think there is one other thing that nobody seems to be talking about, but it is a very important national responsibility. That is, what do we expect out of this whole employment and training system. Perhaps one of the reasons it has gotten its lumps is because everybody expected something else and nobody found what they wanted. So, everyone had lots of room to criticize.

We would urge this committee to define what it is you expect from these programs in terms of outcomes or outputs. A very convenient outcome is job placement. A very convenient one is job retention. A very convenient one is cost effectiveness, or the cost per job. But we urge you to look behind the numbers. If we only trained the most employable unemployed and give them a 2-week program in how to get a job, how to approach an employer, how to conduct yourself in an interview, then we will have high placement rates at very low cost and look like a smashing success. But that is not what this money is intended to do. So, I think it is very important to look behind the numbers and see who is being served, what kind of quality training is being provided, and what the health of the local economy is. You should have much higher expectations of job placement in Houston than we do in Baltimore. You are comparing a 2.5-percent unemployment rate to a 10-percent unemployment rate. So just looking at job placements and comparing them across the country may give you a very distorted view. We urge you to look at the things that are going to affect those numbers and to weigh them in your considerations.

Senator QUAYLE. Given this day of limited Federal resources, where should the emphasis be on CETA—on training and employment. Who should it go to? Should it go to the structurally unemployed? Should our emphasis be on the lack of skilled personnel. Where should our major emphasis be in the Federal employment and training system?

Ms. PINES. I think it has to remain, in the main, with the structurally unemployed. Speaking personally, I am not sure it should stay there exclusively because it tends to negatively label everybody who goes through a CETA program. I think this is something to be considered, particularly if we are trying to sell this product to the private sector. If we are selling people who have a loser label on themselves, it is much harder to sell. We would rather offer people who are unskilled but motivated, rather than saying these are the structurally unemployed.

In other words, we are trying to train productive workers. I think the concentration of our resources should go to those people who do not have access to the labor market now and to get them ready for that labor market. But I think some funds should be reserved for people who need retraining and upgrading and other similar services.

Mayor SCHAEFER. My final request is keep it simple. That is the most important thing so I can understand the legislation when it is written. Spell out the goals, define the performance measures, and let us at the local level run quality programs. Hold us accountable. Shift the focus to jobs and quality training.

You know, we started off with one thing, the word jobs. And we end with jobs.

To summarize very briefly, we want to involve the private sector. But it is not that easy to involve the private sector; you can't just snap your fingers and all of a sudden the private sector is going to pick up. We have learned that already.

Train people for jobs. Motivate people for jobs. Move them out of the public sector into the private sector just as fast as you possibly can. Make it a very simple program. Set the standards and the goals which you want us to accomplish. Hold us accountable. Let us have the flexibility and we can do it.

[The prepared statement of Mayor Schaefer follows:]

PREPARED STATEMENT OF MAYOR WILLIAM DONALD SCHAEFER

Mayor SCHAEFER. This past year, I feel like I have been commuting to Washington to tell Congress how grateful I am for Federal assistance and to talk about Baltimore's past successful experiences with Federal programs like CETA, UDAG, EDA. Today, my emphasis is different. I want to talk about the future—and critical to that future is a national commitment to the continuation of manpower training programs delivered and managed at the local level. By working together, and by listening to each other, I hope we can shape an even more useful role for employment and training programs in the economic agenda of the 1980's.

There are many issues to discuss and I want to commend this committee for focusing the hearings around a very thoughtful set of basic policy questions.

At the top of my recommendations for a new legislative approach is to stop thinking of CETA as a social program and begin to recognize it for what it should be—a powerful economic tool, a tool that is used to train our labor force. And as an economic tool, it's natural allies are economic development activities, so important to an old but reviving city like Baltimore.

We want and need the flexibility to continue to use CETA funds to improve the livability of our city, because improving livability is not merely cosmetic. We have learned that wider walks, trees, benches, museums, music, and art all help to create the environment that attracts new private investment—and new private investment means jobs.

We want and need the flexibility to use CETA funds to help us with our program of business incentives such as site preparation and public infrastructure improvements—like utilities, roads and sewers, and loan packaging—all toward our goal of increasing new business development—and new business development means jobs.

This approach to training may sound somewhat unorthodox to you. But we have tried this and it works. We are using community needs as a partial training ground for our unemployed and the payoff is tremendous. Our unemployed get experience and training and develop pride in our city and themselves. Our city gets lasting improvements. Private employers get experienced, well trained, motivated workers and the incentive to expand and grow in our city. So CETA has been and can continue to be a vital part of our renaissance.

There are 40,000 people without jobs in the city of Baltimore. When I am asked what the goal of an employment and training program should be, I answer: To put those 40,000 people to work! How? From our experience, we recommend: A combination of tax incentives and wage subsidies to employers who agree to hire these workers; education and training programs that are carefully designed to increase worker productivity and marketability for local labor market needs; economic development activities that help us increase the total number of available jobs; improving the access to those jobs for the unemployed by providing better job information and matching services.

A stable, adequately funded Federal employment and training policy can help revitalize America's cities, increase workers' productivity and help our private sector expand.

The spotlight has turned to the private sector. I think we have been too cautious and too restrictive in dealing with the private sector under current CETA legislation. Our experience with on-the-job training contracts, for example, tells us that in many cases, a 50 percent offset for trainee wages is simply inadequate. In certain occupations, high-paid supervisors must spend almost all their time training inexperienced new workers—and the $1.75 or $2 per hour partial wage offset we offer the employer is absolutely inadequate. We want to expand OJT. To do it right, we ought to consider starting with 100 percent wage subsidies that gradually reduce as trainees become productive. Our important objective must be to get our foot in the door with private employers so they can take a look at these unemployed workers without undue bureaucratic barriers. Our experience with the youth entitlement program demonstrated—dramatically—that an initial full wage subsidy in the private sector opened opportunities and jobs in unprecedented numbers. So I urge you to liberalize private sector incentives and subsidies when drafting new legislation.

I have another recommendation that concerns the distribution and allocation of scarcer funds in the years ahead. With a smaller pie, it is time to reexamine funding formulas. Should each locality, rich and poor, continue to get a slice? All of us look for the highest rate of return on every employment and training dollar spent. If our goal is to increase labor market participation and worker productivity, I think the first step is to invest the funds where they are needed most. It does not make sense to spend scarce dollars in local economies that are already healthy and where there is no severe unemployment problem. But it will take much political courage to put these scarce dollars only in those areas that have unusually high rates of unemployment, but where economic development activities and training strategies will have the most visible payoff. The issue is targeting and I hope we can count on you to look after those areas of the country that need special assistance to cross the threshold of economic recovery and maintain the momentum created in the 1970's.

I must tell you that I am very concerned about the rumored distribution of manpower funds in block grants through the States. I had the fortunate opportunity of being able to explain my concerns to the President last week and now I'd like to share my views with you. On the surface, block grants appear to increase our flexibility. But take it from an experienced city official, consolidated block grants to States will hurt us badly. State governments have not distinguished themselves in their oversight of the share of employment and training responsibilities they have had for the past 7 years. Under new block grant authority, what will happen in a State where the Governor and the State legislature are insensitive to the needs of the urban poor, the underprivileged, and the unemployed usually concentrated in cities? What happens when cities are forced to compete against the wealthier and more heavily represented suburban and rural counties in the State legislatures? Let me cite just one example. At present the State of Maryland has discretion over the distribution of funds for vocational education. Congress, in its wisdom determined the formula for CETA allocations. Even I was shocked at the difference in how Baltimore fared. Baltimore with its concentration of undereducated and unemployed receives half the proportionate share of vocational education funds compared to our CETA share. Is this what I'd have to look forward to under a CETA block grant to State governments—reduced national funding and a reduced proportionate share? In addition, please remember every layer of governmental passthrough has an administrative cost—in dollars and in paperwork—both of which siphon off precious resources from our national economic recovery program.

I'd like to suggest that instead of State funding you give serious consideration to greater incentives to encourage local labor market areas to work together in this vital area of jobs and training. We have operated a successful consortium for several years—the city and the four surrounding counties—Anne Arundel, Carroll, Harford, and Howard—known as the Baltimore metropolitan manpower consortium. We feel this cooperation is the only sensible approach to take when our focus is on training for the private sector. Their workers constantly criss-cross political jurisdictions. Labor market consortia are also the only sensible approach to cost saving. We simply cannot afford the duplicate administrative structures tripping over each other in many areas.

Our Baltimore area manpower program works because we know what our metropolitan labor market needs; we know who our unemployed people are and our employers tell us what they need to move into unsubsidized jobs; and we know how to manage cost-effective programs to get results. It's really not so complicated. The key to a successful national training system is to back us with a stable national commitment, give us local control and flexibility, and hold us accountable for results. If you will do this, we will give you job placements and more productive workers; we will achieve your priorities and our priorities.

I know you are searching for ways to streamline this complex maze of categorical titles and activities. And I'd like to offer another suggestion in relation to consolidated grants for jobs and economic growth. I ask you to consider a consolidated grant with two or three major titles—one for economic development, one for adult worker training, the third for youth employability development. Linkages among them would be a requirement that a percentage of the economic development dollars be spent to create and retain jobs for those adults and youth who are eligible for training. This formal joining of economic development and employment training programs is in my judgment essential. If I remember correctly, they were once under one roof—called the ARA—in the sixties. I suggest it is time to move toward a targeted—but comprehensive—development strategy that couples economic development and training. If possible, of course, we also favor discretionary money that could be allocated to areas to compensate for severe and sudden downturns in the economy.

This raises another issue I want to underscore—and that is that the special training needs of minority youth cannot and should not be buried in a catchall training block grant. In Baltimore, for example, youth unemployment is twice the adult unemployment rate of 10 percent. Minority youth unemployment approaches 50 percent. One out of every two minority teenagers cannot find a job! If all of the separate CETA initiatives were folded into one block grant, these youth would compete with their parents for the very limited number of training opportunities we can offer. Youth unemployment and adult unemployment are two distinct problems, and require very different approaches to the solutions. That is why I share and appreciate this committee's concern for maintaining a separate youth title. There must be an all out effort to help this country's disadvantaged youth. I support an approach to the employment and training problem that separately recognizes the needs of our youths and adults.

The last issue I want to raise is that of outputs. What should we expect from our programs? How should we measure success? Obviously job placement and job retention are the highest indicators of success. Costs related to these activities will measure our efficiency. But I must caution a look behind the numbers. High placement rates at very low cost may be masking only 2-week job search efforts for the very employable unemployed. In our assessments, we must consider the population subgroups being served, the quality of training offered, and the health of local labor markets in order to get at true measures of quality.

And a very important footnote—one that may not seem like a major policy issue to you—but to us at the local level, it can be crucial. After your deliberations are over, please keep the legislation simple. Spell out the goals, define the performance measures, and let us at the local level run quality programs. Presently, we are buried in paperwork trying to comply with this extremely—and I think—unnecessarily complex piece of legislation known as CETA. The focus has been on paper and endless reporting. The focus must shift to job creation and quality training to improve worker productivity.

I want to thank you again for this chance to meet with you and talk about the future of manpower policy. We must make the most of the resources we have. I urge you to come and visit me in Baltimore and let me show you what we have done with the funds you have given us. But more importantly, let me show you what remains to be done. I will be pleased to answer your questions.

ADDENDUM

CETA AS AN ECONOMIC TOOL

Train labor force.
Support econ. div. activities.
Enhance urban livability.
Attract new private investment.
Increase new business devel.

Bottom line

Can generate new jobs.

CETA GOAL: PUT OUR UNEMPLOYED TO WORK

How?

Tax incentives/wage subsidies to private employers.

Education and training programs to increase worker productivity to meet labor market needs.

Economic development to generate more jobs.

Better job information/matching services for unemployed.

CETA AND THE PRIVATE SECTOR

Increase private sector role in employment and training through:

Liberalized on-the-job training.
Private sector wage subsidies.
Tax incentives to encourage targeted hiring.
Liberalized private sector incentives.

CETA allocations: geographic targeting

Direct dollars to areas of greatest need.
Allocate dollars directly to local level.
Increase dollar incentives for labor market consortia.

NO BLOCK GRANTS TO STATES

Forces urban-rural confrontation in State legislatures.
Historic insensitivity to urban needs.
Increases adm. costs and redtape.

Prospects?

Reduced national funding.
Reduced proportionate urban share.
Increased redtape.

KEYS TO SUCCESS

Stable national commitment.
Local control.
Flexibility.
Accountability.

CETA CONSOLIDATION—THREE AREAS OF EMPHASIS

Economic devel.—to stimulate job growth.
Adult training—to improve productivity.
Youth training—to increase employability.

Bottom line

Formalize linkage between job creation and training.

OUTPUTS

Job placements?
Job retention?
Cost effectiveness?

What affects outputs?

Who is being trained.
Quality of training.
Local economic health.
Quality of management.

KEEP IT SIMPLE

Spell out the goals.
Define performance measures.
Let local initiative run quality programs.
Hold us accountable.

Bottom line

Shift focus to jobs and quality training.

Senator **QUAYLE**. Very good. Thank you, Mayor. Thank you, Ms. Pines.

Ms. **PINES**. Thank you. It was a pleasure to be here, Senator.

Senator **QUAYLE**. I am looking forward to working with you again.

Get those Orioles back on the ballfield, will you?

Ms. **PINES**. Is that what it is going to take to get you to Baltimore?

Senator **QUAYLE**. I have been there. I have been there to see baseball games.

Mayor **SCHAEFER**. If I could get you down to Harborplace and then take you to some of the programs that Marion has developed with manpower, I would like that.

Senator **QUAYLE**. You have a very fine reputation for the training programs you have there. I certainly hope that, time permitting, I might be able to visit up there. I certainly compliment you. Thank you for coming down and working with us.

Next is Roger Vaughan from the State of New York. Good morning.

STATEMENT OF ROGER VAUGHAN, DEPUTY DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, STATE OF NEW YORK

Mr. **VAUGHAN**. It is a pleasure to be here although representing a State and following the preceding testimony is difficult.

Mr. Chairman, much has been written about this Nation's economic difficulties. We have been called upon to cut back public spending in order to solve our problems. But I believe that too much has been made of the burden of taxation. Too little is understood about what is really happening to the economy.

Our economy is not stagnating. It is undergoing a fundamental shift from economic growth based on increasing our capacity to process materials to growth based on increasing our capacity to process information. Where our previous economic revolutions were based on new energy sources and equipment that extended our physical capacity, the present technological revolution is based on new techniques that extend our mental capacity. If the Nation is to grow during the next decades, it must increase its investment in human capital more than in physical capital. That human capital is not only the number of Ph. D's, but also technicians, word processors, and other skills.

Any reduction in our public and private commitment to education and training renders any revitalization program impotent. But, as we look at how to improve employment and training programs, we cannot focus on CETA alone. We must also look at the structure of our income transfer programs, vocational education, the overall tax structure. To try and improve employment and training by altering or reforming the CETA program alone is like trying to make an automobile go faster by lubricating one wheel.

It is in the context of this fundamental transformation in the economy that I would like to address some of the questions that are the focus of these hearings. I have submitted written testimony addressing all of the questions. I would like to focus on just some parts now.

First is the objectives. I agree with much of the preceding testimony that we too often view employment and training as a social program with vague full-employment objectives. While there are very real equity considerations for concern about the plight of the economically disadvantaged, focusing programs in that way and arguing for them in that way masks a critical supply-side or economic-efficiency argument for public support of employment and training activities. We must face the fact that labor markets are so complex, and the process of skill acquisition is so complex that private markets do not work efficiently. It is a result of the amount of information needed, the tax structure, regulations, and the disincentives for labor-market participation inherent in income maintenance programs. The result is that employers find it much more difficult and expensive to hire appropriately trained labor, while employees, particularly low-income and unskilled employees, find it more difficult to get a job.

Yet, we have focused almost all our attention and economic development incentives on taxation policies that affect no more than 6 percent of business costs. Labor costs represent nearly two-thirds of business costs.

Our objectives in developing a truly comprehensive employment and training policy must be not only to fine tune or change the CETA system where appropriate but also to address problems inherent in our income transfer programs, our tax structure, and our regulations.

Let me suggest some ways in which this might be done. Let me turn to income maintenance programs.

At the moment we have disincentives for income maintenance recipients to participate efficiently and effectively in an education, employment, and training programs. I would suggest a number of reforms. We should change UI regulations and legislation so that recipients could enroll in training and even provide a cash bonus for UI recipients who found work before their benefits were exhausted. At the moment, in most States, UI recipients cannot register in fulltime training programs, even if they have been permanently severed from their job, because they must be ready to accept appropriate employment.

Second, I would allow AFDC payments to be used as wage subsidies or training subsidies to private employers for a period of up to 6 months.

Third, I believe we should change the eligibility requirements for certain income transfer services to reduce the high marginal tax rate that many welfare recipients face if they find a job. Under some of the proposed changes in medicaid and food stamp eligibility, a welfare recipient who found work would face a marginal tax rate of nearly 100 percent. That is not supply-side economics.

Then I would like to address some of the basic ways in which we can improve the design of the CETA system and improve the design of the relationship between Federal, State, and local governments. I would like to start off by saying that I do not feel that a block grant is appropriate. Although I work in a State government, I feel there are several basic flaws with a block grant approach. First, the eligibility requirements become too broad, since so many categories are covered, that the interests of certain needy client groups are lost in the amalgamation.

Second, the competitive process by which States allocate resources among different agencies and activities often strengthens the programs and brings to bear the skills and talents of individuals from many different agencies. One superagency is not necessarily a more efficient structure than several agencies with their own client groups.

Finally, coordination and cooperation is achieved at the local level not at the Federal or even the State level. It is those agencies delivering the services that forge or resist cooperative efforts. I believe that States have not been engaged in the employment and training system very deeply. A sudden transfer to a block grant would be destructive to the capacity of the present system and would not allow any development of the necessary capacity at the State level.

Let me suggest two ways of reforming the CETA system that would yield increased State involvement without destroying the present delivery system and that would be a method through which we could develop State capacity.

Let me start with the employment service. The present placement and counseling services offered by the employment service often overlap with those offered by prime sponsors. In addition, the funding formula encourages employment service offices to emphasize high-volume rather than high-quality service.

I recommend that the employment service be combined with the prime sponsor system. The present employer tax, which at the moment flows to the Federal Government and then is reallocated, should flow directly to the State government, who would distribute funds among prime sponsors according to procedures negotiated between the State and the prime sponsors but approved by U.S. DOL. The primes would in turn allocate those funds among training and placement centers—the recycled employment service centers—for placement and counseling services that met local needs. This system would have several advantages over present practices.

The unemployed would receive a fuller range of services, including exposure to information about education and training programs, that is very rarely available in employment service centers.

The prime sponsor would have a much broader system through which to screen the unemployed and the disadvantaged and direct them to appropriate services. Many prime sponsors have developed much more effective screening evaluation systems than have the employment service.

A direct system of accountability would be set up. Training and job placement centers would be accountable to the primes, who would in turn be accountable to the State, who in turn would be subject to evaluation by the Federal Government.

This would also increase the involvement of the private sector within the CETA system.

The CETA system, I believe, also needs some changes. It largely ignores State governments. The result is that States do not coordinate the disbursement of their massive education and social service resources with the activities of local prime sponsors as effectively as they would if they had a fiscal stake in the programs administered at the local level. I would recommend three structural changes in order to rationalize this system.

First is funding. I believe the present allocation of Federal resources to prime sponsors should be maintained. However, these funds could pay for no more than 90 percent of the administrative costs of local primes or of the costs of services to participants. The remaining 10 percent would come from State contributions. The State resources would come from two sources: The Governor's discretionary money, and a surcharge on the employer tax that presently funds the employment service system, which would flow directly to the State. The States could augment these resources with other funds if they so chose.

This approach also has several advantages. It sets up a structure of accountability from prime to State to Federal Government. States would be liable for any disallowals identified by Federal auditors.

It would insure greater coordination between the primes and the vocational education system, which is largely State financed. States would have an incentive to insure that the postsecondary education system provided services to primes as cheaply as possible in order to insure that funds serve as many participants as possible. Primes would be discouraged from setting up training programs that compete with those offered by local community colleges unless they could do so at lower cost.

Coupled with a broadened coordinating councils that would include both CETA and vocational education programs, State involvement would lead to a broader private sector participation and reduced duplication with programs offered by education institutions and social service agencies. Employment and training would be slowly integrated within a State's overall economic development strategy.

In order to insure local flexibility, many of the regulations imposed by U.S. DOL should be relaxed as part of the reauthorization process. Particular focus should be given to regulations that limit use of CETA funds on income generating projects, restrictions on the types of skills, and the artificial distinctions between different types of training, and needless reporting requirements that tie up the time of prime sponsors.

Finally, I believe in a geographic restructuring of CETA. I do not believe this restructuring should come out of Washington. The restriction of prime sponsorships to cities, counties, or groups of counties of 100,000 and above has led to balance-of-State areas that are an administrative nightmare. One in New York is 300 miles wide and 300 miles long. It has denied prime sponsorship to rural areas that are cohesive labor market areas. In addition, in many urban areas separate primes for cities and their suburban counties is wasteful and prevents a more coordinated labor market approach. I believe we should move toward a closer correspondence of prime sponsor areas with labor market areas that would include entire SMSA's. I do not believe this should be imposed by Federal mandate.

I would like to talk briefly on the role of the private sector. I think too much attention has been given to the concept of expanding title VII. I agree with much of the preceding testimony that this creates a very serious problem of creaming. There are many economically disadvantaged who can become productive trained members of the work force but not by a simple subsidy to a private employer.

Last, I would like to address the issue of, have employment and training programs worked. Few programs have been subject to as much fraud and abuse in the press as CETA. I think CETA has been excessively harshly judged, perhaps for three reasons.

We evaluate employment and training programs much more stringently than other economic development incentive programs. The target of CETA, the economically disadvantaged, cannot lobby as effectively for their programs as can private businesses and cities that benefit from tax incentive and development grant programs. Finally, we have been too hasty in our evaluation. We have expected a very complex program that has suffered from year-to-year funding uncertainty to operate at full efficiency within a few months after getting funded.

There is a great disparity between the way we evaluate employment training programs and the way we evaluate other incentives. For example, in 1980 CETA was an $8 billion per year program. The Federal investment tax credit was a $20 billion per year program. We hear that some CETA participants would probably have been trained or got jobs anyway. Yet, we know that more than 90 percent of the investment that received the investment tax credit would have been carried out even without the credit.

We hear that many CETA trainees cannot find jobs or are trained in obsolete skills. We do not hear about companies that received the investment tax credit and invested in machinery and equipment that was obsolete, for products that do not sell, or companies that went bankrupt.

We rarely hear of Federal loan guarantees or development grants that are given to perfectly viable companies. Yet, CETA has been tightly targeted on those who are most difficult to place and has yielded a substantial rate of return.

I am sure that this committee has all the reports. I am impressed by numbers such as an average increase in earnings of $500 for a net training cost of $3,000. There are very few investments in this country that yield such a high rate of return across such a difficult client population.

Two hundred years ago, Dr. Samuel Johnson observed that the measure of a civilization was to be found in the way it treated its poor. How are we, the richest and most productive society in history, to be judged if we deny public help to those trying to secure the first rung on the economic ladder. To Dr. Johnson's observation I would add another. The economic future and success of this country, a highly technological society, will be determined by its ability to prepare and train all its citizens for meaningful work.

There are many opportunities to remove the barriers to program coordination, to public-private cooperation, and to the efficient operation of our labor markets. We must consider taxes, education, reform of income maintenance in ways I suggested, as well as reforms and some restructurings in the CETA system. We cannot afford not to develop such a national strategy. Thank you.

[The prepared statement of Mr. Vaughan follows:]

THE EMPLOYMENT AND TRAINING SYSTEM IN THE UNITED STATES

Testimony by

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before the

Subcommittee on Employment and Productivity
Senate Committee on Labor and Human Resources

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Mr. Chairman, members of the Subcommittee, it is a pleasure to be here to participate in these hearings on the role of public sector employment and training programs. No issues are more important in determining our economic future than ensuring an adequate supply of appropriately educated and trained labor and in assisting all Americans in attaining their full economic potential. Two thirds of value added in manufacturing is accounted for by labor costs, only 12 percent by the cost of capital. Public programs that efficiently enhance the quality of labor and remove bottlenecks can provide a more powerful "supply side" incentive for long-run growth and development than any tax incentive aimed at encouraging capital investment.

Before I turn to address the eight questions that are the focus of these hearings, I would like to make three basic points that, I believe, set the context of these hearings.

First, the national economy is undergoing a transformation that is as rapid and far-reaching as any in its history -- as a result of technological changes and the increased importance of world trade. This transformation will dramatically increase the need for educated and trained people to work in jobs whose nature we can scarcely guess today. What we have come to call the "Technological Revolution" is qualitatively very different from the "Industrial Revolution" and "Agricultural Revolution" that, successively, transformed our landscape in the past. These previous revolutions were based upon the development of machinery that extended the capacity of the human body many times over Our present revolution is based on new technologies that extend the capacity of our brain to store and process information. We are moving from economic growth based on processing materials -- mining, agriculture, construction, and manufacturing -- to economic growth based upon processing information.

The nation's economic success in the coming decades will depend upon our ability not only to improve our basic education system, but also upon our ability to retrain people as their skills become obsolete.

The need to emphasize human capital in the future is reinforced by the growing importance of world trade. In 1950 the U.S. was a closed economy -- with trade responsible for barely more than five percent of GNP. Today, trade is three times as important, and growing rapidly. The result is an increasing specialization among nations -- with each nation concentrating on those goods and services in which they have a comparative advantage. The U.S. will, increasingly, specialize in agriculture and "high technology" -- or human-capital-intensive goods and services. Our trading partners can buy the technology necessary for producing many goods that have been the backbone of the U.S. manufacturing sector, and sell them competitively in world markets. If the U.S. is to strengthen its trading position, it must constantly upgrade the education level and skills of its workforce.

My second basic point is that we must stop debating employment and training programs as if they are social programs with only a tenuous connection with economic development. Although we cannot ignore the "equity" case for helping the economically disadvantaged, there is a very strong "efficiency" or "supply side" argument as well. I shall argue that labor and capital markets do not work efficiently -- unemployed individuals do not immediately find job vacancies (which increase the hiring costs to firms and leads to costly income maintenance programs), and the skills acquired in both public and private education programs are not necessarily those needed by industry. These "market imperfections" arise, in part, because of the complexity of the labor market -- information is incomplete and expensive to obtain -- but also because of the unwitting effects of our tax structure, regulations, and income transfer programs. If the efficiency of the labor market can be enhanced, then labor costs will be reduced, the need for income transfer payments will be reduced, and the economically disadvantaged will be assisted. The corollary of this argument is that, unless barriers to the efficient operation of the labor market are removed, no matter how rapidly the economy grows, many employers will be unable to find adequately trained labor, and many employees will be unable to find work. There are limits to what the private sector can do without public sector assistance.

My final, and related point, is that, if we are to remove labor market barriers, we cannot focus on CETA in a vacuum. We must develop a "labor market strategy" that encompasses all those programs that shape the operation of the labor market -- including the tax structure; income transfers such as welfare and Unemployment Insurance; apprenticeship and vocational education; primary, secondary, and higher education; the employment service, as well as CETA and other public and private training and work experience programs. These programs are neither separate nor separable in their influence on the labor market. To try to solve problems by tinkering with one program while ignoring its symbiotic relationship with other programs and policies is like trying to make an automobile move faster by lubricating one wheel.

Having established the broad labor market context, I will attempt to answer the eight questions that have been posed.

1. WHAT ARE THE APPROPRIATE OBJECTIVES OF EMPLOYMENT AND TRAINING POLICY?

It should be clear that I regard the objectives of employment and training policy as being to improve the operation of the labor market by removing barriers to efficient placement and training. A policy that achieved these objectives would reduce the unemployment rate, improve productivety and assist the economically disadvantaged. But objectives such as "full employment," "increased productivity," or "assistance for the disadvantaged" are not, in themselves, useful, since they fail to identify the mechanisms through which employment and training policy must operate.

The process of economic development is dynamic. New industries, new products, and new technologies replace old industries and old ways of producing goods and services. The economy must adjust to sudden changes in resource costs, changes in trade patterns, consumer preferences, and real income. In the labor market, as in the capital market, the constant process of adjustment means that resources must move between occupations, industries, and even geographic areas. When the appropriate shifts are not made, the nation experiences rising unemployment, labor bottlenecks, and acute distress in some cities or neighborhoods. The goal of economic policy — of which employment and training should be an integral part — must not be to prop up declining industries but to assist in the process of reallocating resources.

We primarily rely on the market system to allocate resources among competing users, and, for the most part, it works fairly well. However, during periods of very rapid economic transition, and for the economically disadvantaged, the market does not work well. We experience what economists call "market failure." To a non-economist, market failure may sound like a stock market collapse. But it refers to the failure of the market to send clear signals to participants. Failures can occur for many reasons. Where information is costly or hard to obtain, markets may not work well. For example, the unemployed steel-worker in Youngstown does not know of job opportunities in North Carolina or Dallas. A growing engineering firm in Silicon Valley may find it difficult to evaluate an applicant with qualifications from a distant and unfamiliar school. In an appendix I have explained in some detail the causes of labor market failure. At this point I would like to summarize some points that are central to our understanding of the role of public employment and training programs:

- Labor market barriers impose special hardships on the economically disadvantaged. Employers use informal labor market networks in screening applicants (to reduce hiring costs). The disadvantaged lack familiarity with existing information systems with interview techniques, and with world-of-work skills.

- The tax structure (including UI) raises the cost of low income workers proportionately more than higher income workers.

- The geographic mobility of the economically disadvantaged is limited. Welfare eligibility is non-transferable among areas. Interregional job search costs and relocation costs are high. Even within an urban areas, many jobs are only accessible to automobile owners.

- The structure of income transfer payments discourages labor force participation and training. Those receiving UI are often denied eligibility from training programs. Recipients of welfare, medicaid and food stamps face the highest marginal tax rate of any income group in the nation. Increased UI benefits have raised the duration of unemployment.

- Firms underinvest in non-job specific training. Because the recipient may leave to work for another firm, individual companies will not invest enough in basic skills training. The disadvantaged have not acquired these skills as part of their general education. Education and training is difficult for the disadvantaged individual to finance. While a small business can borrow from a bank to acquire physical capital, using the plant or equipment as capital, someone wishing to invest in human capital has no such collateral. He or she must rely on the resources of family or friends. The tax system further discourages rational retraining decisions. A worker who foresees his or her plant closing and wishes to enroll in a private training program to acquire a skill relevant for a growing industry, cannot deduct the costs from taxable income. Only training related to the current job is deductible. It is as if we denied firms the right to deduct investments in R and D or new product development from corporate income.

- Participants in higher education and technical training courses do not have clear information on what skills and programs are in demand in their area. The familiar boom-bust cycle in the demand for engineers is one manifestation of a far-reaching problem.

These are only some of the ways in which labor markets operate with less than full efficiency. This is not to say that the system is a complete failure. Far from it. During the last decade, the number of people working in the U.S. increased by 25 percent — more than in any developed country with the exception of Canada. Our export surplus in "high-tech" goods is at record levels. But we have failed to ensure access to permanent and meaningful jobs for the economically disadvantaged. We cannot afford to maintain this inequity. We cannot afford the tax costs of burgeoning income supplement programs, the social cost of prolonged joblessness and poverty, or the economic costs of denying firms access to properly prepared labor. The objectiveness of employment and training programs are to remove the barriers that create these problems.

SUMMARY

The objectives of an employment and training policy are to remove the barriers to the effective operation of the labor market that discourage successful labor market participation by the economically disadvantaged. Such a policy is not a zero-sum program — shuffling a fixed number of jobs among different client groups. It is a way of ensuring that more jobs are generated and that all Americans have access to them.

2. WHAT ARE THE BEST METHODS FOR CARRYING OUT THE OBJECTIVES OF EMPLOYMENT AND TRAINING POLICY?

The history of employment and training programs over the last two decades parallels the history of the medieval search for the philosopher's stone. Alchemists toiled to find the chemicals that would convert matter into gold. Employment and training specialists have tried to blend incentives and regulations to develop the one program that will convert the economically disadvantaged into productive and successful members of the workforce. Both efforts are doomed.

There are many reasons why an individual may not be able to find permanent employment. They range from mental and physical handicaps, lack of education or "world-of-work" skills, displaced homemakers, the victims of discrimination, those with criminal records, drug addicts, workers in declining industries, those with only a limited knowledge of English, and residents of chronically distressed areas. The types of assistance that can serve each of these groups and even individuals within these groups are very different. Some will require remedial education, some placement assistance, some skill training, some relocation assistance, and for some, an incentive for employers to cover the costs of increased "risk" associated with hiring, and the increased cost associated with on-the-job training. An effective employment and training strategy would include all these elements and also an "evaluation and referral" mechanism that would direct an individual to the type of assistance most suited to his or her needs.

At present we lack a unified "evaluation and referral" system. Social Service agencies determine eligibility for AFDC, food stamps, medicaid and any locally imposed "workforce" programs. Local employment service offices determine whether an applicant is qualified for any job vacancies, whether eligible for unemployment insurance and trade adjustment assistance, what type of placement services can be offered, and, in some areas, whether the applicant can be TJTC certified. Admissions officers at public and private post-secondary education institutions determine whether applicants can be enrolled in their programs. And CETA Prime Sponsors must somehow span all types of applicants and a wide range of programs. The result is that there is no systematic streaming process, and many applicants are either not placed in appropriate jobs or given the wrong type of assistance.

Compounding the problem of ineffective streaming are conflicting program requirements that effectively deny participants certain services or regulations that create perverse incentives for those administering the programs. There are a few clear examples. Local employment service offices are reimbursed according to the number of placements -- creating a natural tendency to serve those who are relatively easy to place, and who may, in fact, get jobs through their own search efforts. Those who can really benefit from placement assistance, receive less time and attention. Also, AFDC cannot be used to contribute to OJT costs even though a welfare recipient usually lacks training or work-preparedness and therefore represents a higher risk than someone hired through more conventional channels. In most states, UI recipients cannot enroll in a full-time training program without losing UI benefits, even if the firm that terminated them has closed permanently or moved away from the community, because they must be ready to accept any job opening that is offered.

Any effective strategy must include remedial education, work experience (of the type offered by the late PSE program), placement assistance, relocation aid, education (classroom and on-the-job), and subsidies to employers.

SUMMARY

I recommend that employment and training policy include many different elements:

- Remedial education for those who are not job ready.
- Public employment to provide work experience for those without world-of-work skills.
- Placement and counseling services to match job seekers with jobs.
- Hiring incentives and OJT subsidies to private and not-for-profit firms for hiring the disadvantaged.
- Training and retraining programs.
- Labor market information and anti-discrimination programs.
- Relocation and commuting assistance.

At the same time we must consider tax and regulatory reforms that discourage efficient training and job-seeking activities and that distort the operation of the labor market. To ensure that those in need are provided with appropriate services, the local Prime Sponsors should be given much broader responsibility in the "evaluation and referral" of those served. We should consider slowly incorporating some of the functions of local social service agencies and the employment service within local employment and training offices.

3. SHOULD PARTICULAR GROUPS IN THE LABOR FORCE BE THE CONCERN OF EMPLOYMENT AND TRAINING POLICY?

From the "pure" supply side approach of correcting labor market deficiencies, we would not argue for targeting on a particular population group -- whether defined by income, labor-market status or some other "need" indicator. However, some form of targeting is appropriate for two reasons:

- First, public resources are limited and should be targeted at those who are both most in need and most likely to benefit from public assistance.
- Second, we cannot always separate, on an individual basis, those people who will require some form of public aid in order to successfully enter the labor market from those who can do so with their own resources and abilities. Broad eligibility guidelines can serve a useful, if imperfect, way of directing resources to where the private market operates least effectively.

However, I would caution against a single-variable approach to program targeting. The tight targeting of CETA through the 1978 reauthorization undoubtedly removed much of the abuse. I would extend eligibility for employment and training assistance to three groups of the population who are victims of labor market barriers and who would benefit from public programs: the older dislocated worker; refugees with limited English speaking ability; and the working poor. A 55 year old worker, thrown out of work from an auto-parts plant in Anderson, Indiana faces a harrowing prospect. Few private firms would be interested in retraining him or her. Few firms would bother to hire an older worker when they can get a younger worker with more years of potential service to the firm. Yet earned income will deny the individual access to most publicly supported programs. This is callous and denies society the product of an experienced worker. I believe that public programs should be targeted to dislocated workers but on a basis of their age -- the older the worker the greater the level of public assistance.

We must also concern ourselves with the working poor. There are nearly 20 million Americans who work on jobs that offer little chance of economic advancement, that offer poor stability, poor benefits and barely enough wages to keep the worker above the poverty level. The worker does not earn enough to pay for further education and training, however committed to self-improvement he or she may be, yet earn too much to be eligible for public employment and training programs. For these workers, the federal government should provide education and training credits for each 50 weeks of employment at, or near, the minimum wage. The credits could be applied to tuition costs or training expenses — a type of "veterans benefits" for the working poor.

SUMMARY

The focus of future employment and training policies should continue to be that of post-1978 CETA, with two additions:

- The dislocated worker, but with the level of assistance related to the age of the worker.
- The working poor.
- Refugees and those with limited English-speaking abilities.

4. WHAT SHOULD BE THE RELATIONSHIP BETWEEN EMPLOYMENT AND TRAINING POLICIES TO INCOME-MAINTENANCE POLICIES?

The purpose of employment and training programs is to assist those who are able to move from dependence on income maintenance to unsubsidized employment. Many welfare recipients have been successfully assisted by CETA and Vocational Education programs, and these programs must continue. But the resources are not sufficient to serve all those in need and we must recognize that, in addition to direct public employment and training assistance, we must undertake some fundamental reforms in the way income maintenance programs are provided. As part of a national employment and training strategy, I would recommend that the following proposals be considered:

- Developing an administratively streamlined tax credit (refundable to not-for-profit firms) to employers that hired and trained the economically disadvantaged. This would combine the TJTC (narrowing eligibility to exclude continuing education graduates and retroactivity) and the WIN credit. Congressman Rangel has proposed legislation that would create this credit.
- Changing UI regulations so that recipients could enroll in training, and providing a cash bonus for UI recipients who found work before their benefits were exhausted.
- Allowing AFDC payments to be used as a wage subsidy to private employers for up to six months.
- Changing eligibility requirements for income transfers and services to reduce the high marginal tax rate that many welfare recipients face if they find a job. Under proposed changes in Medicaid and food stamps eligibility, a welfare recipient who found work would face a marginal tax rate of nearly 100 percent in some states.

We must improve the access of those receiving income maintenance money to employment and training programs. This can be achieved, in part, by the expanded "streaming" function of local Prime Sponsors. In addition, education and training programs will have to be more aggressively "marketed" to income transfer recipients who are able to work.

However, we should not regard the development of a national employment and training program as the solution to escalating welfare costs. Most welfare recipients are not able to enter the labor force -- they are either too young, or are mothers with pre-school children present. We should feel proud of the programs that have alleviated the problems of dire poverty and its concommittant physical and psychlogical symptoms in our nation.

But for those welfare recipients who are job-ready, the proposed reform of AFDC -- to allow payments to be used for OJT subsidies — would provide a major incentive for private employers to offer employment opportunities. I would recommend some guidelines: first, the employer would have to offer wages at least 40 percent above the benefit level (meaning that 70 percent of the wage bill would be subsidized); second, the participant would not immediately lose eligibility for foodstamps and medicaid (so that the employer would not, immediately, have to offer helath insurance and other fringe benefits). Although many Primes have not proved particularly sensitive to the problems of welfare recipients, the availability of the AFDC resources would encourage them to involve themselves with these clients more intensively. It might even be possible to include an incentive for the Primes to place welfare recipients with private employers -- for example, primes could receive 5 percent of the AFDC as a "placement fee". If we are to encourage the development of innovative programs to serve those receiving income maintenance checks, we must design innovative incentive programs.

Summary

The structure of our present UI and AFDC systems discourage recipients from participating in employment and training programs. Legislation should be enacted to encourage UI recipients (long term unemployed) to enroll in training programs and to allow AFDC grants to be used as OJT subsidies.

5. WHAT IS THE APPROPRIATE RELATIONSHIP BETWEEN FEDERAL, STATE AND LOCAL GOVERNMENTS IN THE FUNDING, DESIGN, AND ADMINISTRATION OF EMPLOYMENT AND TRAINING PROGRAMS?

The entire structure of fiscal federalism is undergoing extensive public debate and review. There is not the space, in this testimony, to more than touch on some of the topics in this complex topic. I would like to suggest some general principles that should guide this "sorting-out" process and then how these principles might be interpreted in a revised structure for employment and training programs.

- o Programs should be administered at the local level, since the needs and problems of areas differ widely and resources can best be tailored to meet these needs locally. To the extent that the technical capacity may be lacking, the resources of state and federal agencies should be used to provide technical assistance. However, this assistance should not supplant local administrative efforts but rather to enhance and develop local capacity.

- o Inasmuch as a national employment and training policy is directed at meeting national needs, the federal government must set broad policy guidelines (eligibility requirements etc). But, within these guidelines, state and local governments must have broad flexibility in meeting these objectives. The focus of accountability should be on performance-based assessment of how effectively target groups are served.

- o Fiscal responsibility should be shared among all levels of government, but within a more rational framework than is now the case. Programs for the economically disadvantaged should be largely paid for by federal grants. The poor are a national responsibility -- a state or locality with a high concentration of low-income residents should not suffer a high tax rate to pay for services to the poor. However, I believe that some state and perhaps local "buy-in" is appropriate to ensure a state and local incentive to deliver employment and training services as efficiently as possible. Primary and secondary education is basically a local responsibility, and should remain so. Post-secondary education should be primarily a state function. Washington currently provides less than ten percent of the funds for these programs and might, more effectively, concentrate its efforts on employment and training assistance for the disadvantaged.

Let me suggest some specific ways in which we might modify our present allocation of fiscal and administrative structure to utilize our resources more efficiently. We have in place a complex system that, inspite of much (often undeserved) criticism, succeeds in placing many disadvantaged individuals in permanent and unsubsidized jobs. Links between Prime Sponsors, secondary and post-secondary educational institutions, private industry, community based organizations, social service agencies and other groups are being forged. Our task should not be to scrap the present structure but to remove the the legal and regulatory barriers that impede the process and lead to duplication. Let me suggest two major initiatives that would improve our present delivery system and encourage greater coordination at the state and local level.

Employment Service

At present the placement and counselling services offered by the Employment Service often overlap with those offered by Prime Sponsors. In addition, the federal funding formula encourages the ES to emphasize high-volume rather than high-quality service.

I recommend that the ES be combined with the Prime Sponsor. The present employer tax would flow directly to the State government, who would distribute the funds among prime sponsors according to procedures negotiated between the State and the Primes (and approved by U.S. DOL). The primes would, in turn, allocate the funds among training and placement centers for placement and counselling services that met local needs. This system would have several advantages over present practices:

- o The unemployed would receive a fuller range of services, including exposure to information about training programs that is rarely available in ES centers.
- o The Prime Sponsor would have a much broader system through which to screen the unemployed and the disadvantaged and direct them to the appropriate services.
- o A direct system of accountability would be set up. The Training and Job Placement Centers would be accountable to the primes, who would, in turn be accountable to the State, who would in turn, be subject to evaluation by the federal government.
- o It would increase the involvement of the private sector with the CETA system.

The CETA System

The present CETA system largely ignores state governments. The result is that states do not coordinate the disbursement of their massive education and social service resources with the activities of local prime sponsors as effectively as they would if they had a fiscal "stake" in the programs administered at the local level. I would recommend that three structural reforms be considered as ways to rationalize the delivery of employment and training services: changes in the financing of local services; changes in the federal regulation of training services; and changes in the geographic designation of prime sponsor areas.

Funding. I believe the present allocation of resources to Prime Sponsors should be maintained. However, these funds could pay for no more than 90 percent of the administrative costs of local primes or of the costs of services to participants. The remaining ten percent would come from state contributions. The state resources would come from two sources: the Governor's discretionary money; and a surcharge on the employer tax that presently funds ES (which would flow directly to the state). States could augment these sources if they wished. This approach has several advantages:

- It sets up a structure of accountability from Prime to state to federal government. States would be liable for any disallowals identified by federal auditors.
- It would ensure greater coordination between the Primes and the vocational education system (which is largely state financed). States would have an incentive to ensure that the post-secondary education system provided services to primes as cheaply as possible in order to ensure that funds serve as many participants as possible. Primes would be discouraged from setting up training programs that compete with those offered by local community colleges, unless they could do so at a lower cost.
- Coupled with the coordinating councils (described in Section 7), state involvement would lead to broader private sector participation, and reduced duplication with programs offered by education institutions and social service agencies. Employment and training would be integrated within a state's overall economic development strategy.

Regulation. In order to ensure local flexibility, many of the regulations imposed by U.S. DOL should be relaxed as part of the reauthorization process. The thousands of regulations and field memoranda that have emanated from Washington have reduced the effectiveness of local prime sponsors. I urge that particular attention be given to:

- Regulations that limit the use of CETA funds on income generating projects. These preclude primes from helping develop services and enterprises for CETA participants that might eventually become profitable. Examples include transportation services for low-income workers; day-care centers; waste recycling centers in distressed neighborhoods. In an age of local fiscal constraint, such activities represent a viable alternative to local public funding of services. And we should recognize that training the disadvantaged for jobs should not preclude training in entrepreneurship.

- Restrictions on the type of skills that can be imparted in CETA training programs. Local prime sponsors know better than Washington what skills are in demand locally.

- Needless reporting requirements and regulation of prime sponsor activities. Quarterly reviews and verification of eligibility duplicate other reports, for example.

Geographic Areas. The restriction of prime sponsorships to counties (or groups of counties) to 100,000 population has led to balance-of-state areas that are an administrative nightmare and denied prime sponsorship to rural areas that are cohesive labor market areas. In addition, in many urban areas, separate Primes for cities and their suburban counties is wasteful and prevents a more coordinated approach. I believe that we should move toward a closer correspondence of Prime Sponsor areas with labor market areas that would include entire SMSAs. I do not believe that this should be imposed by federal mandate, but left to negotiation between state and local governments and existing prime sponsors.

Summary

We should use the reauthorization of CETA as an opportunity to redesign the system to provide for greater coordination among education, employment, and training programs and among federal, state and local governments. I do not believe in a block grant approach. Instead I recommend the integration of the employment service within the CETA system and changes in CETA funding that would require state participation, coupled with increased local flexibility and a more rational geographic structure of prime sponsor areas.

6. WHAT IS THE ROLE OF THE PRIVATE SECTOR IN THE DESIGN AND IMPLEMENTATION OF EMPLOYMENT AND TRAINING POLICY?

Most training is undertaken by the private sector, and this is appropriate and effective. I have argued that the role of the public sector is to assist those who will not be aided by the natural development of the economy -- the boats that will not be floated by a rising tide. But the public programs must be fully coordinated with private sector activities and needs if the graduates are to get permanent, unsubsidized jobs.

It has become popular in Washington to argue that the private sector can play a much larger role in employment and training. Proponents of this view point to columns of want-ads and claim that many of those not working simply do not want to work. This view is mistaken and a cruel insult to the vast majority of the unemployed and underemployed. There have been many studies of job vacancies listed in newspapers -- including one by Fortune magazine. All have found that there are very few jobs listed that do not require either experience, high-level qualifications, or both. Those vacancies that are available to the untrained tend to be filled within 48 hours of appearing in the newspaper. The want-ad pages do not provide any justification for reducing the public commitment to employment and training.

There have been many programs designed to increase private sector involvement in the training process -- STIP, PSIP and PICs. Most have been successful. However, we must recognize that these programs tend to use the "cream" of the economically disadvantaged -- those easiest to employ. This is natural and appropriate -- the private sector must be involved in ensuring that the "nearly-job-ready" are given the necessary training and experience.

However, we must recognize limits on the private sector's ability to directly serve many of the disadvantaged. In many areas, Prime Sponsors and PICs have not developed close linkages -- although the PIC system may be too new to determine whether this is a long-run problem.

Some PICs have expressed the desire to remain separate from Prime Sponsors in order to play-down what they perceive as the CETA stigma. Many private firms have resisted involvement with CETA eligibles. A CETA system based upon a sudden expansion of the funding and power of PICs would risk targeting its resources on the "cream" of the disadvantaged and denying services to millions of less prepared but no less needy people. Public funds would be used to provide OJT subsidies to private employers for hiring and training people who would have been hired and trained anyway. There would be little increase in employment and no reduction in welfare rolls or the incidence of poverty.

I have already suggested some proposals -- a more efficient tax credit, use of AFDC payments as OJT subsidies, etc. -- that would increase private sector participation. The integration of ES within the CETA network would also involve the private sector more directly. PIC-Prime contacts will improve over time. The coordinating mechanism discussed below will further involve industry. But developing the contacts and links that foster and support a public-private partnership takes time. There is no magic regulation or incentive that Washington can design that will create this partnership overnight. Areas differ in their industrial structure, the degree of business organization, the extent of their problems, and in their local public sector structure. The best method of coordination will be unique to each area. We can draw hope from the fact that in many of those cities that have faced the greatest economic adversity have achieved the most effective partnership between business and employment and training programs -- New York City, Buffalo, and Baltimore are good examples. Private sector participation is essential -- but it cannot be mandated.

7. CAN THE DIVERSE SETS OF PROGRAMS WHICH CONSTITUTE THE EMPLOYMENT AND TRAINING BE COORDINATED?

There is no doubt that the extent to which employment, training, placement, counseling, income maintenance and education programs are coordinated could be improved. However, there are limits to the coordination possible among programs that provide very different types of services to very different client groups. The vast majority of vocational education students are not economically disadvantaged, just as the vast majority of welfare recipients are not able to enter the workforce, and most workers receiving UI are on temporary layoff and do not need other assistance.

Blending together many programs into one overall block grant does not guarantee coordination. There are several fundamental flaws with this approach:

- o Eligibility requirements become so broad that the interests of certain "needy" client groups may be lost in the amalgamation.
- o The competitive process by which states allocate resources among different agencies and activities often strengthens the programs and brings to bear on issues the skills and talents of individuals from different agencies. One "super agency" is not necessarily a more efficient structure. We promote healthy competition among businesses by antitrust laws, yet would deny public sector competition by creating block grants.
- o Those familiar with local bureaucracy know that cooperation among different agencies that share a common client population is often more prevalent than coordination within a large bureaucracy that spans a multitude of client groups.
- o Coordination -- or more accurately cooperation — is achieved at the local level, not at the federal or even at the state level. It is those agencies delivering the services that forge or resist cooperative efforts.

While there is no magic funding formula that guarantees cooperation, there are several steps that can be taken to improve cooperation among our present different delivery systems. First, the integration of the employment service within the CETA network would improve the delivery of placement and counseling services. Second, we must ensure that the substate structure of different employment, education, and training services are parallel. For example, the New York State Education Department has argued that federal legislative requirements governing the creation and operation of vocational education local advisory councils prevents close cooperation with the CETA system. They advocate, instead, regional advisory councils that would parallel the structure of Prime Sponsors.

> The members would be appointed jointly by the prime sponsor (for as long as CETA remains in effect) and local education agencies and public postsecondary institutions (located within the service area of the prime sponsor or Balance of State sponsor) to carry out the functions presently performed by the CETA council, the private industry council, the CETA youth council, the business, labor, industry education council, and the separate local advisory council for vocational education. This council would be required to advise the eligible recipients or the local advisory councils within its geographical area on the content of the local application, including industry/labor demands and manpower needs. In addition, the regional council could be required to review and comment on the local applications prior to their submission to the State. The requirement for a regional advisory council would provide a structure for the exchange and use of employment information for effective regional planning, and for more effective program funding decisions (regardless of the source of funds) for agencies that presently do not have local advisory councils as well as those that already do and wish to maintain that structure at the local level.

Third, overseeing these regional councils would be an expanded State Employment, Vocational Education and Training Council. This would include representatives of business, labor, the employment and training and education communities, local governments and local development agencies. They would identify priority training needs and eligible population groups, to be served, evaluate the effectiveness of local programs, identify opportunities for cooperative ventures among state agencies, and recommend on future systems needs.

These efforts are not as glamorous as a renamed block grant system, but neither are they as destructive. Cooperation grows incrementally. We must remove the present administrative and regulatory barriers that impede it, not cut down the whole system and grow another from seed.

8. HAVE EMPLOYMENT AND TRAINING PROGRAMS WORKED?

It is a regrettable characteristic of public policy in the U.S. that we scrutinize programs designed to help individuals much more closely than programs designed to help businesses or jurisdictions. We seem to feel that where the recipient of federal largesse is a corporation or a government, the potential for "fraud and abuse" is somehow less than where the recipient is a human being. Everyone has their favorite anecdote about waste under CETA. Yet objective studies by the General Accounting Office and by many other research organizations have found that fraud and abuse -- especially since the 1978 Reauthorization -- are relatively minor. While any fraud and abuse is to be deplored, the findings for a program as complex as CETA involving 50 state governments, nearly 500 Prime Sponsors and thousands of subcontractors are certainly not evidence of widespread malfeasance and incompetence.

There are, perhaps, three reasons why CETA has been harshly judged:

- We evaluate employment and training programs much more stringently than other economic development incentive programs.
- The target of CETA -- the economically disadvantaged -- cannot lobby as effectively for their programs as can private businesses and cities that benefit from tax incentive and development grant programs.
- We have been too hasty in our evaluation. We have expected a complex program that has suffered from year-to-year funding uncertainty, to operate at full efficiency a few months after funding starts.

Most evidence of the performance of CETA post-1978 points to a success that can be claimed by only a handful of federal economic programs. I am sure that the Subcommittee has before it all the data. The Continual Longitudinal Manpower Survey has found that CETA graduates experience annual earnings increases between $400 and $800, a fair return on investments of $3000 to $4000 in training costs. (For a proper economic evaluation, stipends should not be counted in costs.)

There is a great disparity between the way we evaluate employment and training programs and the way we evaluate other economic development efforts. CETA, in 1980, was an $8 billion program. The federal investment tax credit (ITC) was a $20 billion program. We hear that some CETA participants would probably have been trained or got jobs anyway. Yet, more than 95 percent of investment in equipment eligible for the ITC would have been carried out without the credit. We hear that many CETA trainees cannot find jobs or are trained in obsolete skills. We do not hear about the companies that received the ITC and invested in machinery and equipment that was obsolete, for products that did not sell, that went bankrupt. We rarely hear of federal loan guarantees or development grants that are given to perfectly viable companies. Yet, CETA has been tightly targeted on those who are most difficult to place and has yielded a substantial rate of return. The recently terminated PSE program was criticized as providing dead-end jobs. Yet how many evaluations have there been of the types of jobs generated by the Christmas tree of tax incentives that adorns our corporate tax code.

If we are to integrate employment and training into an overall economic development strategy then we must be prepared to judge all programs -- from tax incentives, grants to developers, to loans and loan guarantees, as well as training programs — by the same criteria. Many of the problems that CETA has encountered arise from restrictive regulations written here in Washington that were designed to limit fraud and abuse. Had we given as much attention to performance-based evaluation as we have to limiting abuse, I believe the CETA program would be more efficient than it is today.

CONCLUSION

Two hundred years ago, Dr. Samuel Johnson observed that the measure of a civilization was to be found in the way it treated its poor. How are we, the richest and most productive society in history, to be judged if we deny public help to those trying to secure the first rung on the economic ladder. To Dr. Johnson's observation, I would add another. The measure of economic success of a highly technological society is to be found in its ability to prepare and train all its citizens for meaningful work.

There are many opportunities to remove the barriers to program coordination, to public-private cooperation, and to the efficient operation of our labor markets. We must consider tax policy, education policy, and reform of income maintenance programs as well as employment and training programs in developing a national employment and strategy that is truly effective. We cannot afford not to develop a national strategy.

APPENDIX

LABOR MARKET BARRIERS

The purpose of employment and training policy must be to reduce or abolish barriers to successful labor market participation. If there were no barriers, there would be no structural unemployment. A worker rendered jobless by the decline of an industry, would move into another occupation which foresight had allowed him or her to prepare for in advance. But markets do not operate in this way. Uncertainty, less than perfect information and relocation costs impede the constant process of adaptation.

This Appendix reviews these barriers

Market Failure and Development Policy

Labor is allocated among competing employers through markets. The purpose of the market is to send signals to the participants to indicate when they need to change their behavior and to indicate the direction of the appropriate change. The employer who fails to fill vacant slots is receiving a signal to raise wages. A job seeker who fails to find employment is receiving a signal either to seek elsewhere or to reduce expectations.

When markets work well, the right signals are sent out and the economy responds rapidly to changes. That does not mean that no firms close down, or that no-one is out of work. Innovative young firms introduce new products and new production techniques that replace older firms. Increasing energy costs lead to a decline in the output of energy intensive products, and shifts in transportation patterns. Yet markets do not work well. In fact, economists have traditionally defined the need for public intervention in the economy in terms of the causes of market failure:

- o Imperfect Information. The unemployed worker does not know where there are job openings, or the investor does not have enough information to assess the viability of a project.

- o Transactions Costs. The cost of relocation may prevent an unemployed worker moving to a growing labor market.

- Non-Constant Returns to Scale. An economic activity -- such as job-referred service -- may be cheapest if performed nationwide, yet no single private company can capture these economies. For example, no single company can capture all the benefits of a nationwide job information system.
- Externalities. An activity that generates "spill-over" benefits that do not accrue to those paying for the activity will not be undertaken at an optimal level. For example, a firm will be reluctant to pay for non-job-specific training for an employee because that employee can leave for another company.
- Second-Best. An imperfection in one market will lead to imperfections in related markets. If capital is denied to high risk enterprises, then the level of employment in the high-risk neighborhood will suffer.
- Public Intervention. Collecting taxes or regulating economic activity will distort the operation of markets. For example, taxing income discourages labor force participation. Regulating minimum wages reduces the number of low-wage jobs.

For many purposes this classification is useful. Yet, several relevant "failures" or barriers to development are missing or incompletely specified. The market failure concept is too static. Most "failures," are defined at deviations from the ideal (and totaly unrealistic) model of perfect competition, which is a model of static not dynamic efficiency. In a dynamic market economy, there will be a tendency for market imperfections to diminish since some entrepreneurial types ca profit from providing a good or service remedies the fault. If the failure persists then it must have some functional role in maintaining the market system as a dynamic system, in which case the term "failure" is inappropriate. But this presumes a supply of entrepreneurs to develop these new products, and that these entrepreneurs do face incentives to bridge market gaps. Persistent failures signify either a lack of entrepreneurs or that public intervention is acting as a barrier to development.

The second major failing of the simple market failure analysis is its implicit suggestion that the best way to foster development is to remove all impediments to the "normal" functioning of a market economy. This assumes not only that all development resources are bought, sold, and produced in private markets but that the latter are self-organizing and self-perfectable. Rather than reflect further on the unreality of this viewpoint, let us specify some additional barriers to the dynamically efficient creation and utilization of resources for development:

depends on the on-the-job learning of the workforce. Let us briefly review some of the barriers to the efficient operation of the labor market.

Lack of Information. Inadequate or inaccurate information are chronic labor market problems. Programs to create job information banks and placement services attest to the depth of public concern. Labor markets include both the markets for skills (between labor and employers) and the markets for training (between labor and institutions that provide training). Thurow argues that the former markets work reasonably well while the latter operates poorly. An individual employee does not know what training will place him or her in the best competitive position. Yet, increasing the supply of some skills may take many years.

Transactions Costs. Advertising, screening, and job-specific training are expensive activities. Regulations such as affirmative action have added to these costs. These costs are especially high when hiring the economically disadvantaged, for the employer has little employment history or informal network information on which to base the decision. These costs are reflected in the tendency of employers to "hoard" labor during recessions and to employ those who can be screened through the recommendation of current employees or through other employers. The combination of imperfect information and transactions costs reduce the flexibility of the labor market to adjust to structural change, and for a tendency to exclude the disadvantaged from contention.

Legal Constraints. Regulations and laws governing minimum wages, OSHA, and affirmative action requirements may actively discourage employers from hiring the unskilled and encourage the substitution of capital for labor in order to reduce costs and the possibility of legal action.

On the other hand, the regulatory structure may inadequately define an employer's responsibility. For example, the incentives for the private sector to retain and retrain potentially "redundant" workers may be insufficiently strong. The longer a firm can expect to retain an employee, or the higher the costs of termination, the more likely the firm will provide more OJT and see the development of the firm's human resources as an integral and important part of doing business. This means that a greater portion of the costs of adjustment can be internalized within the business sector.

- Lack of entrepreneurship.

- High costs of adjustments; i.e., costs of increasing the supply of critical resources, such as highly skilled or educated labor, sophisticated machinery, entrepreneurship, energy, information, or land.

- Uncertainty. The anticipation of potential government action can increase the level of uncertainty.

- Institutional rigidities; e.g., the impediments in bureaucratic behavior.

- Lack of capacity:
  - institutional,
  - human resources.

- Lack of integration or coordination among key parts of the economic or political systems.

These factors may explain why development fall short of potential. Some of them appear to be merely public in nature and some private, but most involve some sort of interaction between the sectors. We can see how these barriers are implicated in the case of each major resource.

The process of economic development in an advanced economy is characterized by an increasing complementarity between human and physical capital -- a broadening and deepening of the demand for the "capital" rather than the "labor" component of human resources concomitant with the broadening and deepening of the physical capital stock. In recent years, demand for labor has been growing fastest in those occupancies which require longer periods of training or education. Furthermore, as Thurow points out, learning-on-the-job is in several respects the most significant part of labor training. Thus, a prime concern of economic development strategy should be the removal of barriers to the mobility of the labor force -- among occupations, industries and areas. This is a central concern also from the standpoint of innovation, technical progress, and increased productivity. Thurow (1975, 1980) demonstrates how the latter are partly contingent upon labor's receptivity to technical change and the quality of learning what goes on within firms and the latter, in turn, are contingent upon job security and the lack of wage competition. Daniels and Kieschnick (1978) also point out that, given shortcomings of the labor markets, one cannot expect the capital markets to work appropriately, either. One reason is that investment in new technologies is contingent upon how fast firms can "move down their learning curves," which

Taxes. There are many aspects of the tax structure that impede labor market adjustment, beyond the basic disincentive toward labor market participation inherent in the personal income tax. Human capital, unlike physical capital, cannot be depreciated, although the skills of a computer programmer become obsolete almost as rapidly as the machine he or she operates. Education or training costs that are not related to an employee's present job are not tax deductible. The failure to relate Unemployment Insurance premiums actuarially to the use of benefits penalizes low-turnover firms and subsidizes high-turnover firms. Volatile companies adjust labor forces rather than inventories. The fact that UI premiums and Social Security payments are not based upon full salary or wages raises the cost to the employer of low-wage relative to high-wage workers. Of course, some of these barriers have been partially overcome. Some companies do subsidize education programs for their workforces, and encourage "skill-updating." But these benefits are not available everywhere.

Uncertainty. This is the greatest impediment to any form of investment, and a major aim of an employment and training strategy should be to reduce uncertainty. From the standpoint of policy, however, security is not the opposite of uncertainty. An economic development strategy should not be designed to secure people and firms in then current positions but to enable them to form rational expectations about the future. The erratic nature of public policy often contributes to uncertainty rather than ameliorating it. Workers may be discouraged from seeking alternative employment if they believe a public "bail-out" of their industry is imminent.

Constraints on Mobility. The structure of transfer payments and other factors have created barriers to the effective redeployment of labor. Unemployment Insurance and Trade Adjustment Assistance benefits have resulted in prolonged duration of unemployment (Feldstein, 1976; Ehrenberg and Oaxaca, 1976). Individuals hold out longer and are less inclined to seek extensively for alternative employment opportunities. Welfare payments are not geographically transferable.

In addition, laid-off workers may have heavy investments in their homes as well as accumulated skills. But these investments are illiquid. Relocation allowances, reverse mortgages and other schemes need far more attention than they have yet received. Of course, policies that help to deal with transactions costs, other adjustment costs, and lack of information will be instrumental here, too.

Finally, labor market policies illustrate how poorly we recognize what is more relevant from research knowledge and how poorly we use what we know. Although Theodore Shultz and Arthur Lewis were recently awarded the Nobel Prize in economics for specifying the importance of embodied human capital in the economic development of underdeveloped nations, the significance is only beginning to be recognized for local development policy in the U.S....and "economic development" programs run along separate tracks, although they are truly joint products in an interactive, dynamic sense. Any economic enterprise creates two products: One is a product or service for sale and the other is trained labor. Investment in human resources is as much a form of investment and is as instrumental to economic development as investment in structures and equipment. So, labor training can be used to build up business enterprise just as the expansion of business enterprise helps create trained labor. A strategy to link manpower and economic development programs should recognize this interaction (see Brennan and Keefe, 1980).

Senator QUAYLE. Thank you very much, Mr. Vaughan, for a very comprehensive statement and some good ideas on how we should proceed.

Let me ask you a couple of questions. You said that the sudden transfer to the block grants would be disastrous. I do not know if you used that strong language. You said it would be very difficult for the States to assume. Would you suggest a transition period? Or would you suggest no transfer at all?

Mr. VAUGHAN. I have suggested a mechanism that is basically a transfer as way of retaining the prime-sponsor structure but injecting State governments into the CETA system. In some States this will not make much difference. In others, it will improve coordination of programs and improve public-private cooperation. I believe the two components of State aid that I have suggested—the distribution of the employment service tax for placement counseling services, and the 10-percent State match—initially will simply be handed out on a fairly mechanical formula. But I think this system presents an opportunity for those States that do want to creatively use their vocational education systems, and their social services, to be involved in the CETA program, to improve it, and to coordinate, it with their programs

It will not destroy or disrupt the present highly complex delivery mechanism: 400 primes, thousands of contractors. There are valuable contacts and linkages being set up now that could easily be lost in any drastic reorganization. The basic contacts at the local level make the system work, regardless of who is writing the check.

Senator QUAYLE. As far as developing the labor market areas that you referred to, would you have the State involved in that and working with the local municipalities? Or do you think it would be better to have a direct communication from the local municipalities to the Federal Government?

Mr. VAUGHAN. I believe the State should be involved. The State is involved in providing a local delivery mechanism for vocational education. The State is involved in developing a local delivery mechanism for social services, for medicaid, for welfare. These programs should all be more closely related to employment and training. Therefore, the State must be involved in working with local units of government in defining an appropriate prime sponsor area that would correspond to those used by other related program delivery mechanisms. Perhaps in some cases it will be changing the way we deliver the vocational education structure in an area.

The idea is to bring the State into the discussion and into the decisionmaking in order to get cooperation between those three systems: education, employment training, and social services. Without cooperation, and coordination in those delivery mechanisms, which can only be achieved through the State, I do not believe you can have any substantial improvement in CETA, or whatever you call any renamed block grant.

Senator QUAYLE. So, you would have more involvement of the States than is presently in the system?

Mr. VAUGHAN. Yes.

Senator QUAYLE. I have one final question. It is the same question I had for the mayor. Given the limited resources that we have at the Federal level, where should our emphasis be on training and employment? To whom should these resources and our efforts and energies be directed?

Mr. VAUGHAN. I think I would echo Mayor Schaefer's own phrase. It is easy to score good points by targeting on those that require relatively little assistance. I believe we have got to target on those who are suffering from the results of an imperfectly operating labor market. We cannot afford either the tax costs of social services, the economic cost of not having them in the work force, or the social cost of prolonged unemployment. We have to target on those people most in need.

Senator QUAYLE. Thank you very much.

Mr. VAUGHAN. Thank you.

Senator QUAYLE. Mr. Bottoms has consented to have the Interstate Conference of Employment Security Agencies next.

STATEMENT OF ROBERT E. DAVID, DIRECTOR, SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION, AND PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., ACCOMPANIED BY WILLIAM L. HEARTWELL, EXECUTIVE VICE PRESIDENT, ICESA; RICHARD T. SULLIVAN, DEPUTY DIRECTOR FOR OPERATIONS, MASSACHUSETTS DIVISION OF EMPLOYMENT SECURITY, AND VICE CHAIRMAN OF THE EMPLOYMENT SERVICE COMMITTEE; AND GENE FORD, EMPLOYMENT SECURITY DIRECTOR OF CETA, SOUTH CAROLINA

Mr. DAVID. Thank you for the opportunity to summarize. I will read excerpts from our statement. We request that the full statement and the accompanying paper, the Job Service role in the eighties, be placed in the record, Mr. Chairman.

Senator QUAYLE. Without objection, it will.

Mr. DAVID. We appreciate the opportunity to appear before you today to provide the views of our organization regarding the need for national employment and training policy, a well-coordinated system to implement that policy and, particularly, the role of the Job Service as a major part of the system.

I think it is important to state at the outset that the Interstate Conference firmly recognizes the need for national employment and training policy that establishes, in flexible terms, the primary objectives to which this Nation is committed. But the achievement of these objectives must recognize that a partnership with the States is essential. National policy, therefore, must be built around broad objectives that allow the State partner to also meet its own employment and training needs, consistent with current and forecasted economic conditions, educational/skill level of its labor force. Within this context, the Conference supports, as at a minimum, national policy that promotes the maintenance of a free labor exchange system where all workers can find jobs and employers can be assisted in identifying qualified workers. This has been a national policy objective since the passage of the Wagner-Peyser Act in 1933, although it has not been strictly observed over the years.

We firmly believe this commitment should remain as the foundation of any national employment and training policy objectives, or comprehensive system, that this subcommittee may recommend when it concludes these hearings and begins to deliberate on the key issues that will ultimately lead to legislative proposals.

The original objectives of the national labor exchange system, referred to as the Job Service, have been valid since the passage of the Wagner-Peyser Act and remain so today. However, over the years, the Congress and our Federal partner have also required the Job Service to perform nonlabor exchange functions, a number of which actually conflict with our basic mission. Further, we have seen the CETA system gradually expand its training and employability development role into areas such as placement, which duplicate functions provided by the Job Service.

In addition, our position level has remained constant for the past 16 years while the labor force has grown approximately 42 percent over this same period. We have been assigned, Mr. Chairman, 30,000 slots over the past 30 years. We have maintained that number during that entire time.

These three factors have resulted in a somewhat diminished role for the Job Service and a patchwork of individual employment and training systems that are duplicative, extremely costly, and do not effectively serve those who need assistance.

Ironically, after years of having to operate within this confused structure, we are told that our basic problem is that we have no clear view of what our role should be. We have always felt that the Wagner-Peyser Act accurately and most succinctly describes the role and functioning of the Job Service. Nevertheless, our organization recently embarked on a comprehensive review of our current operations. We tried to come to grips with a clear definition of what our role should be, that is within the framework of a coordinated employment and training system, keeping in mind national efforts to revitalize the industrial sector of our economy and increase productivity.

The product that resulted from this effort is not a model employment and training system, nor should it be viewed as our organization's response to CETA reauthorization. What it does is to recognize the need for an integrated employment and training system, and to describe what the role and functioning of the Job Service, that is the labor exchange, should be regardless of the final system design.

At this time I would like to summarize the key elements of our paper. Sufficient copies of the full text have been provided to the members of the subcommittee and their staff.

We begin, No. 1, with the State and Federal partnership.

ICESA supports a labor exchange system which provides a direct partnership linkage between the Federal office and the State. It insists that the role of the State is system manager, managing services to respond to State and local needs and conditions within broad outlines of a consistent national system.

The Federal partner should be limited to providing the States with resources to operate the labor exchange and monitoring these resources to see that they are effectively used in accordance with appropriate laws and regulations. The Federal role should include establishing minimum standards to achieve a national cohesiveness.

The second item is economic development. Building upon its present data base and extensive experience, Job Service can help industry to increase productivity by identifying displaced workers and helping them begin new careers. Job Service also has the expertise to aid industry in the restructuring of jobs. Furthermore, using its research capabilities, Job Service can furnish relevant labor market information and related services to help business and industry make decisions concerning plant locations and expansions.

The third item is employment services. These services should include selection and referral of qualified workers; aptitude and performance testing; job analysis and worker turnover studies; labor market information; innovative, customized technical services for employers with unusual or particular problems including meeting their affirmative action goals; and certification of workers eligible for tax credit programs. We have done and are doing all of these.

Item four is services to workers. Regarding basic services, the goal of the basic service would be to match workers with jobs not subsidized by the Government in the shortest possible time which utilize their skills and which form the basis for continuous employment.

Regarding intensive services, the goal of intensive services would be to enable unskilled or inexperienced workers to take successful first steps toward economic independence through employment opportunities. This level of service would be available to worker groups normally experiencing significant barriers to employment such as displaced homemakers, youth without educational credentials, the economically disadvantaged, recipients of public assistance programs, and other targeted groups.

Next is labor market information. At the State and local levels, the State Employment Security Agency, that is SESA, should be recognized as having the lead role in providing labor market information, that is LMI, resulting from adequately funded LMI research, data collection, and reporting and analysis of the results of these activities. The SESA is in the best position to assume this role, primarily because it collects the basic LMI data from workers and from employers as a byproduct of administering the Job Service and the unemployment insurance programs.

Next is linkages with other service deliverers. Linkages between the Job Service and human service organizations are essential to the development of an effective employment and training system for the Nation. In order to achieve greater efficiency in the delivery of client services, there should be a functional division of labor among service deliverers, utilizing the strengths of all of the organizations.

The Job Service should be the lead agency in the provision of labor exchange services within the local labor market, and because of the vast information systems generated as a by-product of its labor exchange services, should be the major provider of labor market information.

Next is planning. On a labor market area basis, the local Job Service manager should serve as the initiator of a comprehensive bottom-up planning process that encourages the active participation of other local service providers. The planning process should include joint planning of services which defines the responsibility of each major community resource, minimizes duplication of services, and establishes procedures and methods of mutual support.

Automated support systems is next. The use of computerized information processing is the key element in freeing up staff to perform basic and intensive services and to offer the personal kind of assistance many job seekers need.

We did not address, Mr. Chairman, the issue of block grants for the labor exchange program in our paper, primarily because funding, which is 97 percent derived from employer taxes—that is a premium the employer pays on his unemployment insurance–has always gone to a legislatively designated State agency, in accordance with the Wagner-Peyser Act. We seriously question the commingling of earmarked special revenues with general revenue funds.

What we have attempted to convey here today is our firm conviction that a national labor exchange should be at the foundation of national employment and training policy; second, that the Job Service has operated the labor exchange successfully for nearly 50 years and should continue to do so in the future; and, third, that the Job Service, as part of an overall system of employment and training, should be the presumptive deliverer of labor exchange services and labor market information.

As you continue this process across the country, our other State administrators will be available to provide you with more specific information regarding their operations as well as relations with other organizations involved in employment and training.

We sincerely appreciate this opportunity to appear before you today and would be pleased to respond to any questions that you may have at this time.

[The prepared statement and accompanying papers of Mr. David follow:]

STATEMENT BY ROBERT E. DAVID

DIRECTOR, SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION

and

PRESIDENT, INTERSTATE CONFERENCE OF
EMPLOYMENT SECURITY AGENCIES, INC.

to

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

June 18, 1981

Mr. Chairman, and members of the Subcommittee, my name is Robert E. David. I am President of the Interstate Conference of Employment Security Agencies, Inc. (ICESA). I am also Director of the South Carolina Employment Security Commission.

Accompanying me today are Mr. William L. Heartwell, Executive Vice-President of the ICESA and Mr. Richard T. Sullivan, Deputy Director for Operations of the Masscahusetts Division of Employment Security and Co-Chairman of the ICESA Employment Service Committee. We appreciate the opportunity to appear before you today to provide the views of our organization regarding the need for national employment and training policy, a well-coordinated system to implement that policy and, particularly, the role of the Job Service as a major part of the system.

I think it is important to state, at the outset, that the Interstate Conference firmly recognizes the need for national employment and training policy that establishes, in flexible terms, the primary objectives to which this nation is committed. But the achievement of these objectives must recognize that a partnerhsip with the States is essential. National policy, therefore, must be built around broad objectives that allow the State partner to also meet its own employment and training needs, consistent with current and forecasted economic conditions, educational/skill level of its labor force, etc. Within this context, the Conference supports, at a minimum, national policy that promotes the establishment and maintenance of a free labor exchange system where all workers can find jobs and employers can be assisted in identifying qualified workers. This has been a national policy objective since the passage of the Wagner-Peyser in June 1933, although it has not been strictly observed over the years. We firmly believe this commitment should remain as the foundation of any national employment and training policy objectives, or comprehensive system, that this Subcommittee may recommend when it concludes these hearings and begins to deliberate on the key issues that will utlimately lead to legislative proposals.

The original objectives of the national labor exchange system, more commonly referred to as the Job Service, have been valid since the passage of the Wagner-Peyser Act and remain so today. However, over the years, the Congress and our federal partner have also required the Job Service to perform non-labor exchange functions, a number of which actually conflict with our basic mission. Further, we have seen the CETA system gradually expand its training and employability development role into areas (e.g. placement) which duplicate functions provided by the Job Service. In addition, our position level has remained constant for the past 16 years, while the labor force has grown approximately 42 percent over this same period. These three factors have resulted in a diminished role for the Job Service and a patchwork of individual employment and training systems that are duplicative, extermely costly and do not effectively serve those who need assistance.

Ironically, after years of having to operate within this confused structure, we are told that our basic problem is that we have no clear view of what our role should be. We have always felt that the Wagner-Peyser Act accurately and succinctly describes the role and functioning of the Job Service; nevertheless, our organization recently embarked on a comprehensive review of our current operations. We tried to come to grips with a clear definition of what our future role should be, within the framework of a coordinated employment and training system, keeping in mind national efforts to revitalize the industrial sector of our economy and increase productivity.

The product that resulted from this effort is not a model employment and training system. Nor should it be viewed as our organization's response to CETA reauthorization. What it does is to recognize the need for an integrated employment and training system and to describe what the role and functioning of the Job Service--the labor exchange--should be, regardless of the final system design. At this time, I would like to summarize the key elements of the Paper. Sufficient copies of the full text have been provided to the members of the Subcommittee and their staff for further review.

I. State-Federal Partnership

ICESA supports a labor exchange system which provides a direct partnership linkage between the federal office and the State agency. Such a linkage encourages direct communication which is essential if the system is to be responsive. It insists that the role of the State is system manager--managing services to respond to State and local needs and conditions within broad outlines of a consistent national system.

To be effective in the decades ahead, the federal partner should be limited to providing the States with resources to operate the labor exchange, and monitoring those resources to see that they are effectively used in accordance with appropriate laws and regulations. The federal role should include establishing minimum standards to achieve a national cohesiveness in such activities as placing workers who live in one state but for whom jobs exist in another, and in compiling labor statistics for national as well as State and local use. The confusion of roles that presently exists between the two partners can be resolved administratively, and certainly does not warrant substantive amendments to the Wagner-Peyser Act.

II. Economic Development

Building upon its present data base and extensive experience, Job Service can help industry to increase productivity by identifying displaced workers and helping them begin new careers. Job Service also has the expertise to aid industry in the restructuring of jobs. Further, using its research capabilities, Job Service can furnish relevant labor market information and related services to help business and industry make decisions concerning plant locations and expansions.

III. Employer Services

These services would include:

(a) Selection and referral of qualified workers.

(b) Aptitude and performance testing.

(c) Job analysis and worker turnover studies.

(d) Labor market information.

(e) Innovative, customized technical services for employers with unusual or peculiar problems including meeting affirmative action goals.

(f) Certification of workers eligible for tax credit programs.

IV. Services to Workers

(a) Basic Services. The goal of the basic service would be to match workers with unsubsidized jobs, in the shortest time possible, which utilize their skills and which form the basis for continuous employment.

These services would include:

- Job matching and referral to job openings.
- Job seeking skills instruction.
- Vocational counseling and career planning assistance.
- Administration of the worktest for unemployment insurance claimants.
- Referral to support services and programs.
- Occupational and labor market information.

Special placement assistance will be given to veterans, handicapped job seekers and youth making the transition from school to work.

(b) Intensive Services. The goal of intensive services would be to enable unskilled or inexperienced workers to take successful first steps toward economic independence through employment opportunities. This level of service would be available to worker groups normally experiencing significant barriers to employment such as displaced homemakers, youth without educational credentials, the economically disadvantaged, recipients of public assistance programs, and other targeted groups.

These services would include:

- Orientation to the world of work.
- Counseling to resolve personal barriers to effective vocational exploration and identify vocational options.
- Follow-up counseling to applicants successfully placed on a job to ensure retention and satisfactory work performance.
- In-school counseling, through cooperative arrangements with school counselors.
- Assessment of job readiness.
- Referral to remedial education, social services, and other training opportunities.
- Follow through after referral.
- Personalized job development assistance.

V. Labor Market Information

At the State and local levels, the State Employment Security Agency (SESA) should be recognized as having the lead role in providing labor market information (LMI) resulting from adequately funded LMI research, data collection, and reporting and analysis of the results of these activities. The SESA is in the best position to assume this role, primarily because it collects the basic LMI data from workers and employers as a by-product of administering the Job Service and Unemployment Insurance Programs.

VI. Linkages with Other Service Deliverers

Linkages between the Job Service and other human service organizations are essential to the development of an effective employment and training system for the nation. In order to achieve greater efficiency in the delivery of client services, there should be a functional division of labor among service deliverers, utilizing the strengths of each organization. Since the inception of CETA, the

Job Service has, by agreement, provided various support services to prime sponsor programs. Further, in at least 20 percent of the States, the State Employment Security Agency serves as CETA balance of State prime sponsor.

The Job Service should be the lead agency in the provision of labor exchange services within the local labor market, and because of the vast information systems generated as a by-product of its labor exchange services, should be the major provider of labor market information.

VII. Planning

On a labor market area basis, the local Job Service manager should serve as the initiator of a comprehensive "bottom-up" planning process that encourages the active participation of other local service providers. The Job Service comprehensive plan would consist of a 3-year base assessment and an annual supplement.

The planning process would include:

- A comprehensive needs assessment which weighs such factors as the characteristics of the workers to be served, conditions in the local labor market, employer needs, etc.
- An identification of the major employment and training resources and economic development activities including information on program responsibilities and service delivery patterns.
- Joint planning of services which defines the responsibility of each major community resource, minimizes duplication of services, and establishes procedures and methods of mutual support.

VIII. Automated Support Systems

To a great extent, the future of the Job Service depends on using modern, cost-efficient and flexible computer systems. The use of computerized information processing is the key element in freeing up staff to perform basic and intensive services and to offer the personal kind of assistance many job seekers need.

We did not address the issue of block grants for the labor exchange program in our Paper, primarily because funding, which is 97 percent derived from employer taxes, has always gone to a legislatively designated State agency, in accordance with the Wagner-Peyser Act. We seriously question the comingling of earmarked special revenues with general revenue funds.

What we have attempted to convey here today is our firm conviction that a national labor exchange should be at the foundation of national employment and training policy; secondly, that the Job Service has operated the labor exchange successfully for nearly 50 years, and should continue to do so in the future; and third, that the Job Service, as part of an overall system of employment and training should be the presumptive deliverer of labor exchange services and labor market information.

As you continue this process across the country, our State Administrators will be available to provide you with more specific information regarding their operations as well as relations with other organizations involved in employment and training.

We sincerely appreciate this opportunity to appear before you today, and would be pleased to respond to any questions that you may have at this time.

THE ROLE AND FUNCTIONING
OF THE JOB SERVICE
IN THE EIGHTIES

ICESA

March 1981

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PREFACE

The purpose of this paper is to address the role and functioning of the Job Service as part of an overall employment and training system. The need for a coordinated system of planning and service delivery has existed for some time. It is even more critical now, if we are to adequately respond to the constraints imposed by current and forecasted economic conditions and demands for increased productivity of our nation's industries.

We see the Job Service role as an essential part of an overall system. It is clearly a partnership role; but one which recognizes the Job Service as the presumptive deliverer of labor exchange and labor market information services. Adequate funding is needed to make this a reality. How this role meets the challenges of the eighties is developed in the following paper.

I. INTRODUCTION

Workers need help finding jobs. Employers need help finding qualified workers. A nationally organized, employer tax-funded Job Service has proven the most efficient way of providing these services.

Recent studies[1] show job placement assistance from a nationally organized Job Service reduced worker unemployment time by an average of five to seven work days. This means an annual increase of $1.4 billion to $2 billion to the Gross National Product. To each individual, job placement assistance means a significant reduction in the hardship of being employed. It cuts unproductive waiting time; it utilizes needed skills to benefit the nation as well as the individual worker.

The unique Wagner-Peyser Act of 1933 set up a federal-state partnership to develop and operate such a national employment service. It is not only unusual in the United States, but the only one of its kind in the world. Its mission is to provide an effective "free labor exchange" where all workers can find jobs and employers can find workers, and to minimize loss of personal income and loss of general economic productivity to the nation.

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[1] E.g., "The Job Search Process and Reemployment Success," An Interim Report, Burgess-Kingston, Arizona University, Tempe; September 1980.

In the '80s, the goal of this system should be to sharpen its capabilities to help people find jobs and fit the jobs they find. There will be a greater need in the decade ahead than at any time in the recent past for retraining and placement of workers as the reindustrialization of the nation progresses. The Job Service should focus on these major tasks.

A more productive Job Service depends on more progressive funding. The number of people placed in jobs is directly proportional to the number of Job Service staff available to help them. It is clear that current financial support arrangements should be changed to meet demographic and growth requirements of the next decade.

Each side of the federal-state partnership should come to agreement on a new and specific statement of the mission of the Job Service. It should include the realization that the unique partnership has worked well, and can work better if each understands and accepts the other's legitimate role. Increasingly, in past years, the federal partner has mandated that the system undertake various responsibilities which bear little relationship to its major function, and which, in fact, have detracted from it.

The decade ahead should find the Job Service deeply involved in the efforts of employment and training programs to prepare workers who have barriers to employment. The coordination and cooperation necessary should include compatible planning so the skills and extensive experience of the Job Service staff are easily available to further the training and development effort.

The Job Service for all workers should also develop compatible automated systems to make in-depth labor market information available to employers as well as schools, labor unions, and community organizations.

Although now available to workers throughout the nation, the following services for employers and workers should be strengthened and extended in the years ahead. They include assessment of the job-seeker's skills gained through interview, counseling, or testing, as necessary; the furnishing of pertinent job information and referral to possible jobs that fit the worker's skills and, finally, actual placement in a job. If needed, career guidance and referral to training and support services should also be available.

For the employer the Job Service lists job openings and recruits, screens, selects and refers qualified workers. The Job Service should also offer technical assistance in job design and restructuring as well as labor market information and assistance in developing programs to ensure equal employment opportunities. In return, employers should advise the Job Service on how to organize these services in the most effective manner. Employer participation should be basic to the major efforts necessary in the '80s.

The Job Service saves the nation billions by putting people to work rather than having them enter the welfare system. The Job Service should be for all people who want jobs, to help them find productive work in as short a time as possible.

The following sections of this paper present the directions the Job Service should take during the '80s to create a stronger, more efficient, more productive service for American workers and boost the economic growth of the nation.

II. STATUS OF THE FEDERAL-STATE PARTNERSHIP

As noted previously, one of the first tasks that should be undertaken in the new decade is a federal-state agreement on the definition of their respective roles and on the mission of the national Job Service. The Interstate Conference of Employment Security Agencies (ICESA), speaking for all the states, calls for the restoration of a true partnership and the return of a substantial share of responsibility for planning and operating to the Job Service in each state.

The unique federal-state partnership, broadly described in the Wagner-Peyser Act, balances the need for a national system of job services with the employment needs of states and local communities throughout the country. This is accomplished through legislation which empowers the states to provide job services without mandating exactly what those services should be.

The partnership is based on four essential elements.

1. Information regarding jobs and workers is a national resource which should be available to everyone--job applicants and employers--without fee. No one should be prevented from receiving these services due to economic status.

2. There is a need for a national commonality in the delivery of job services so consistency is achieved among services to a broad based, mobile labor force, and in order that labor market information can be based on common definitions for planning purposes.

3. The states are empowered by enabling legislation and the availability of federal funds to provide services which are designed to respond to local needs. This is a decentralization of activity which focuses on response to need as opposed to mandated services.

4. National initiatives are approached through incentives to cooperation or extended services rather than mandates to activity.

The Job Services system should emphasize these basic elements to focus its energies on meeting the needs of the eighties. The partnership will become a myth, unless both Congress and the U.S. Department of Labor recognize the necessity for state and local management input in achieving a coordinated, national state/federal system. The roles of the partners should be understood as below.

The State Role Within the Partnership

The Wagner-Peyser Act (and subsequent state legislation pursuant to the Act) established a cooperative system of public employment offices to be operated by the states under state/federal control. As such, the states are required to create a state agency to act as the local partner. The state systems must include methods for the recruitment and transfer of labor, including the promotion and development of employment opportunities. Special services for handicapped and veterans are also mandated by law. The state must provide a service of job counseling, as well as cooperate with other agencies which have an employment role.

The state must submit a plan describing how it will fulfill these requirements, and periodic reports, both fiscal and programmatic, as to how it is fulfilling its mission.

Of particular importance is the creation of a state agency to act directly with the federal government in partnership. Whether that agency reports directly to a governor, a commission, a legislature, or directly to the people through an elected administrator, is dependent upon what each state decides works best under local conditions.

The states' role is to operate a system of public employment offices. It is up to the state to manage this activity under state law. The federal partner can tell the state what minimum services should be provided, and the state, in its plan, must set goals and make provision for delivering them. Nevertheless, it is up to the states to say how these services will be provided and to manage the delivery system.

ICESA supports a system which provides a direct partnership linkage between the federal office and the state agency. Such a linkage encourages direct communication which is essential if the system is to be responsive. It insists that the role of the state is system manager--managing services to respond to state and local needs and conditions within the broad outlines of a consistent national system.

The Federal Role Within the Partnership

The responsibilities of the federal partner are based on its control and allocation of resources to ensure effective and efficient operation of a national system. It is responsible for securing congressional appropriations, distributing funds to the states, reviewing state plans, and monitoring progress against those plans. The funds apportioned to the states are employer taxes placed in trust to be used only for these purposes in a manner approved by the federal government. Thus, the Secretary of Labor has the authority to cancel allocations when funds are not used for legal purposes.

As described in the Wagner-Peyser legislation, the role of the federal partner is limited. To be effective in the decades ahead, it should be limited to providing resources to get the job done, and monitoring those resources to see that they are effectively used for legal purposes. The federal role should include setting of minimum standards to achieve a national cohesiveness in such activities as placing workers who live in one state but for whom jobs exist in another state, and in compiling labor statistics for national as well as state and local use.

Confusion of Partnership Roles

Confusion has grown over the state and federal roles in the past several years. Congress and the U.S. Department of Labor have assigned various tasks to the Job Service system not consistent with job placement functions. Such activities range from housing inspections to enforcement of federal contracting regulations. Such mandatory, regulatory functions change the Job Service role from helper to policeman in the eyes of both workers and employers.

Another cause of the confusion is the increasing tendency of the U.S. Department of Labor to control through ever more complex rules and regulations as well as the budget and allocation process. The clear mandate of the federal partner to monitor effectiveness and apply sanctions if states do not meet minimum standards, is not applied with consistency. Instead, complicated rules attempt to regulate efficiency. This penalizes the states successfully administering Job Service, making their task more difficult by forcing compliance with unneeded regulations.

Federal regulations should exist where necessary to ensure that minimum standards are met. The energies of Job Service administrators and public employment office staff should be applied to its basic mission rather than dissipated by satisfying federal regulatory requirements.

All of the above changes have tended to centralize management of the Job Services system over the years. To meet the challenges of the eighties in the various ways that will affect the different parts of our nation, we must restore and reinforce each state's management of the Job Service system.

Planning should begin at the local level, and be consolidated at the state level into a state plan. It should provide for the efficient operation of the basic services and such other services needed by each state where and when that state needs them. Each state should set its own priorities. Federal approval should be based on minimum requirements to maintain an efficient interstate system to collect and develop labor statistics and labor market information, and the interchange among the mobile work force.

The Role in the Eighties

The partners' roles, as originally defined in the Wagner-Peyser Act, are live options to provide an effective system of service delivery in today's labor market. Whatever muddle there may be over roles is due to bureaucratic intrusion beyond those original definitions. This is a problem which should be resolved administratively by the U.S. Department of Labor and not by any future confusion in the form of amendments to the Wagner-Peyser Act.

Administration of the Job Services system needs to be streamlined so it can bring maximum impact to the important role it will play in the eighties. Concurrently, U.S. Department of Labor rules and regulations need to be simplified. Priorities should be set by the state within the parameters of those basics necessary for an effective national system.

These important steps can be taken without new legislation. The present Wagner-Peyser law encompasses all measures that need to be accomplished. The Congress, the U.S. Department of Labor, and the states already have the proper basis for a system that meets the challenges ahead if more cooperation and understanding on the part of all principals are added to the partnership. The workers of the nation will benefit thereby immensely.

Job Service in the '80s

Federal Role

The Department of Labor should request and allocate funds for the administration of a nationwide system of public employment offices. It should be responsible for:

- Distributing funds to states;
- Reviewing state plans;
- Monitoring progress against plans;
- Assuring legal use of funds;
- Prescribing minimal standards for activities of the Job Service;
- Providing technical assistance;
- Compiling labor statistics;
- Facilitating the placement of workers who live in one state but for whom jobs exist in another.

State Role

The designated state agency should operate a system of public employment offices which provides for:

- Recruitment and transfer of labor, including promotion and development of employment opportunities;
- Special services for the handicapped and veterans;
- Job counseling;
- Cooperation with other agencies with an employment role.

In addition, the designated state agency should:

- Develop a plan for fulfilling these requirements and provide periodic fiscal and programmatic reports;
- Serve as system manager of services responding to local needs and conditions within the broad outline of a national system;
- Provide a comprehensive labor market information program to supply data and analysis needed by the SESA and others to appropriately interface with the participants of the labor market.

III. ECONOMIC DEVELOPMENT

In the decade ahead, the economic growth of our nation will be of primary concern. Finding the people with the skills necessary for changing and expanding industries will be one of the major emphases. The Job Service has decades of experience helping industry find skilled people.

Building on its present data base and extensive experience, Job Service should help increase productivity by identifying displaced workers and helping them begin new careers. Job Service should assist industry to restructure jobs and identify workers who can best learn the new skills needed.

While experienced, trained workers may be the focus of industry's greatest need, Job Service should also recruit and develop workers for whom industry or business receives significant tax incentives. Job Service personnel are experienced in helping industry analyze its staffing needs and take advantage of the supply of available workers. They should assist workers to find appropriate training and arrange for that training, as well as help industries take advantage of the various programs which will cut their expenses and add to overall productivity.

The Unemployment Insurance Program provides a safety net to workers which allows them to undertake necessary training without suffering total economic loss. This allows a community to maintain economic stability during industrial dislocations. Special worker protection programs encourage individuals to learn new skills in response to changing economic conditions. Coordination between the Unemployment Insurance Program, the special worker protection programs, and the Job Service is a key factor in the future expansion of the nation's economic base.

As part of its intensive services, Job Service Centers should test, counsel, and arrange retraining. They should recruit and screen staff for plants which need workers with different skills to fit modernization, or for new industries now on the drawing boards. The national Job Service system should help industry locate workers and assist them to relocate where they are needed.

Job Service should augment national priorities in economic development by using its research capabilities to furnish relevant labor market information at the local level. Its services should be coordinated with those of state economic development departments, and other such agencies, to help industry and business decide on new locations. Demographic and manpower data should be focused to help employers make cost-efficient location decisions. New research and analysis programs should be developed especially to meet specific economic development needs.

These activities should be developed in the '80s, based on Job Service's tradition of service to the private sector. Job Service has aggressively maintained its association with and service to private industry and business. It receives, on an ongoing basis, advice and counsel from employer advisory groups at the local level throughout the nation. This long term and growing service relationship provides Job Service with a unique opportunity to develop new programs to support industry and business as they change their growth and product patterns.

Job Service has developed communications and action lines to all the supporting organizations necessary to this national effort. It works closely with schools in programs which develop career paths from school to work. It works with the vocational education system, the community colleges, universities and private training institutions. These are links presently in use and available for the greater effort ahead.*

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*See Section VII for further detail.

IV. SERVICES TO EMPLOYERS

It is the mandate of the Job Service to contribute to the productivity of the American economy by operating a free, open labor exchange; by offering services to both applicants and employers designed to achieve maximum utilization of the nation's labor force; and by compiling and disseminating information on economic development in local and state labor markets.

The support of the employer community is the key factor in developing job opportunities against which to match workers. The Job Service should offer a set of specialized services devoted to the employer community, with particular emphasis on the private sector. These services should include:

- Selection and referral of qualified workers to meet employer job needs.
- Aptitude and performance testing to help determine the potential and proficiency of referred workers.
- Job analysis to ensure the adequacy and practicality of hiring standards and requirements. The results of these studies can be used to reduce complex performance bottlenecks and increase productivity.
- Worker turnover studies, where the movement of workers out of an employer's work force is excessive and impacts on production costs.
- The mobilization of Job Service resources when employers open plants or business establishments in new locations. These resources may include the provision of labor market information,

prevailing wage data, details of community resources, preparation of job descriptions, and the use of Job Service facilities for recruitment.

- Innovative, customized technical services for individual employers with unusual or peculiar problems including meeting affirmative action goals.
- Certification of workers and firms eligible for tax credit programs.

The goal of the employer services program should be to offer each employer the assistance necessary to recruit, and utilize workers most effectively, consistent with equal employment opportunity principles.

A unique relationship between the Job Service and local employers has developed throughout the country with the introduction of Job Service Employer Committees (JSEC), formerly referred to as JSIC. The Job Service should expand the use of employer advisory groups in the 1980s in developing, marketing and delivering services essential to the growth and productivity of business and industry.

V. SERVICES TO WORKERS

Each local office in the Job Service system should offer both basic and intensive services. The goal of the basic service should be to match workers in the shortest time possible with unsubsidized jobs which utilize their skills and which form the basis for continuous employment.

However, the Job Service should also be able to offer intensive job finding services to workers experiencing significant problems in identifying or obtaining suitable employment opportunities through basic services. Such intensive services should provide for continuing follow-up. They should be measured by criteria other than job placement since they would be, by nature, more individualized and time consuming.

An effective labor exchange requires that job matching services be available to all members of the nation's labor force, regardless of occupational skills, earning potential, employment, or economic status.

The UI System is a major source of clients for the Job Service and of workers for employers with jobs to fill. While some claimants are on temporary layoffs or obtain work only through a union hiring hall, the remainder should be screened by Job Service personnel at the time they file for benefits so that appropriate services, whether basic or intensive, can be provided.

Basic Services

All job seekers should be able to receive the following basic services through any local Job Service office:

- Job Matching and Referral to Job Openings

  Job seekers should file a registration with a local office, thereby exposing their skills and availability to job opportunities in the labor market area and across the state. When no suitable opening is on file in the Job Bank, Job Service staff should have the option to develop an opening for an applicant through direct contact with employers in the appropriate industry.

- Job Seeking Skills Instruction

  Job seekers should receive training in techniques for locating, applying for and securing positions in line with their qualifications and interests.

- Vocational Counseling and Career Planning Assistance

  Job seekers should participate in assessment, testing and career guidance activities designed to help them make informed decisions about their participation in the labor force.

- Administration of the Work Test

  Workers who are unemployment insurance claimants should be regularly matched against local job opportunities and interviewed to assure their availability for work.

- Referral to Other Services and Programs

  The Job Service should refer workers to vocational training opportunities, support services, and public work experience programs which may be even more valuable than referral to immediate, short-term employment.

- Job Information Service

  The Job Service should maintain the capability to provide job listings and applicant-oriented occupational and labor market information for use by job seekers on a self-help basis.

- Special Placement Assistance to Certain Applicant Groups

  To Veterans

  In line with its long-standing priority assistance to veterans, the Job Service should perform a vital role in assisting veterans in the process of choosing, obtaining, and adjusting to satisfactory employment.

  To Handicapped Job Seekers

  Due to the changing demands of the workplace and the individual needs, abilities, and skills of handicapped applicants, Job Service personnel should facilitate the job matching process to the benefit of both employer and employee.

  To Youths Making the Transition from School to Work

  In order to help young people obtain their first full-time job and assist them in acquiring experience in part-time and temporary jobs, the Job Service in cooperation with schools should provide labor market information and job placement services.

To Farmworkers

The Job Service should maintain contact with farm owners and operators throughout the year. The Job Service should provide placement and other related services to farm workers when they are needed.

Intensive Services

The goal of intensive services should be to enable unskilled or inexperienced workers to take successful first steps towards economic independence through employment in the public or private sector. These intensive services should be available to worker groups normally experiencing significant barriers to employment such as displaced homemakers, youth without educational credentials, the economically disadvantaged, recipients of public assistance programs, and other targeted groups.

Intensive services should include:

- Orientation to the World of Work

  Job Service should provide a basic orientation for those members of the labor force who are not aware of the demands of the workplace or have not successfully adjusted to a work environment.

- Counseling

  Counseling should be made available by Job Service to assist individuals resolve personal barriers to effective vocational exploration, to identify vocational options and to help them adjust to new work environments.

- Follow-Up

  Counseling should be made available to applicants successfully placed on a job, to insure retention and satisfactory work performance.

- In-School Counseling

  Career planning assistance should be available for youth who are still involved in educational programs to help prevent periods of unemployment and indecision about vocational goals after graduation.

- Assessment

  Assessment of each individual's suitability for other employment and training programs or other assistance from community agencies should be done while exploring job opportunities and a worker's past work experience.

- Referral to Remedial Education, Social Services, and Other Training Program Opportunities

  Job Service staff should provide workers with referrals to appropriate agencies and services in the community.

- Follow Through After Referral

  Job Service personnel should help people to find work during and after their involvement in a remedial program.

- Personalized Job Development Assistance

  Job Service interviewers should contact employers on behalf of workers unable to locate suitable job opportunities.

Many of the services listed above that should be available through the Job Service basic and intensive level design are specifically mandated in specially funded programs, such as WIN and Food Stamps. The "two-tier" service approach would provide the opportunity for Job Service management to develop service delivery linkages that would meet the needs of clients referred from these special programs. Coordinated, bottom-up planning would be essential to forecasting the potential client workload for specific service areas.

Each program may have its own tracking and reporting requirements. In some labor market areas, this may make service coordination more difficult. Nevertheless, the opportunity to weave common service elements into a coordinated pattern would exist.

Priority Service for Veterans

Many veterans returning to civilian life, particularly after service during a period of conflict, may find it difficult to adjust to the change. Those who entered the military prior to completing their education or attaining a job skill, are often in need of further education and/or skill training, counseling, and other services before they can compete successfully in the civilian labor market. These veterans, as well as those who return with physical or mental disability, should be provided basic and intensive services depending upon need. According to federal law, they should be given preference on all referrals to employment.

Outreach activities should be conducted by designated Job Service staff at major military separation centers, Veterans Administration facilities, and other types of centers providing specialized services to veterans. Special outreach efforts should be continued for disabled and recently separated veterans as provided under the Disabled Veterans Outreach Program.

VI. LABOR MARKET INFORMATION

The 1980s will require ever more specific, timely and accurate information than is now produced. There is extensive need to develop and tailor the information to local areas as well as an increasing need for occupational demand, supply and wage data to complement the employment and unemployment data. In addition, there is a persistent and growing internal demand to develop improved forecasting and modeling techniques to insure the appropriateness of the data and its interpretation as need be provided by Job Service.

This information will be essential in the planning and operation of a wide range of social and economic programs and initiatives including:

- Guidance to education and training programs that provide the skilled human resources required by reindustrialization and to support technological growth being experienced by all industrial sectors;
- Job Service basic and intensive services;
- Economic support activities for industries in transition;
- State and local service delivery agencies and organizations.

At the state and local level, the State Employment Security Agency (SESA) should be recognized as having the lead role in providing labor market information (LMI) resulting from adequately funded LMI research, data collection, and reporting and analysis of the results of these activities. The SESA is in the best position to assume this role primarily because it administers the Job Service and unemployment insurance programs which collect the basic LMI data from workers and employers.

VII. LINKAGES WITH OTHER SERVICE DELIVERERS

Linkages between the Job Service and other human services organizations are essential to the development of an effective employment and training system for the nation.

In order to achieve greater efficiency in the delivery of client services, there should be a functional division of labor among service deliverers, utilizing the strengths of each organization.

The Job Service should be the lead agency in the provision of labor exchange services within the local labor market, and because of the vast information systems generated as a by-product of its labor exchange services should be the major provider of labor market information not only to itself but also as a part of its maintenance of linkages with other segments of the employment, training and economic development segments of the community.

Linkages at both the highest administrative levels and the line operational level should be established between Job Service and the following organizations:

Vocational Rehabilitation

Vocational Rehabilitation's expertise in the evaluation of clients with regard to their physical and mental potential places them in the lead role for servicing handicapped individuals. Job Service, as a labor exchange, should complement Vocational Rehabilitation in the placement of these individuals into gainful employment.

Educational Institutions

Through contact with students early in their educational program, Job Service should make them aware of the variety of occupations, where to find them, and how to prepare for a successful job search. Through sponsorship of school-employer cooperative programs, Job Service should greatly improve the success of schools in placing graduating students into the full-time labor force.

Economic Development

Many organizations within a labor market area try to foster new or expanded industrial development. The labor market information needs of industrial development commissions, local government and employer groups should be met by the Job Service, while maintaining its primary focus on supplying qualified labor to meet employer needs.

Private Service Organizations

The Job Service should effectively assist such organizations as the Chamber of Commerce, Private Industry Council and other similar private development groups. Coordination of services is especially important at the local level.

Vocational Education

Constant changes in the economy resulting in shifts in the skills needed by industry require a strong, well-coordinated vocational education system whereby job seekers can gain the skills needed to compete in the job market. Close ties between the Job Service and vocational education are mandatory to insure that training to meet industry's needs is available not only to those needing retraining, but also to youth and other new entrants to the labor market.

CETA Programs

There is a continuing need to provide employment-related services to the structurally unemployed. To link effectively Job Service and CETA programs, the planning and funding cycles should be coordinated, definitions should be standardized, and duplicative functions should be eliminated. Specifically, the Job Service should be the presumptive deliverer of labor market information and placement-related services.

VIII. PLANS AND PLANNING

In the decade ahead, it is imperative that the delivery of employment and training services be coordinated at the local level to avoid duplication and increase effectiveness. Local Job Service Centers throughout the nation should carefully delineate the roles of the various agencies in the system and increase flexibility to respond to conditions at the local level. Such planning avoids overlapping efforts, makes the most of limited resources and establishes a well thought out plan for the community's employment and training activities.

The local Job Service manager should serve as the initiator of a comprehensive "bottom-up" planning process which encourages the active participation of the other local service providers, such as CETA prime sponsors, CETA grantees, employer advisory groups, vocational rehabilitation agencies, the welfare department, educational institutions, apprenticeship agencies, community advisory groups and other community-based organizations. In this role, the manager becomes a fully committed, community participant with the flexibility and authority to respond to community needs.

The local planning process should include:

- A comprehensive needs assessment which weighs such factors as the characteristics of the workers to be served, conditions in the local labor market, anticipated changes in jobs and job skills in demand, and other employer needs;
- An identification of the major employment and training resources

and economic development activities of the community including information on program responsibilities and service delivery patterns; and

- Joint planning of services which defines the responsibility of each major community resource, minimizes duplication of services, and establishes procedures and methods of mutual support.

The Job Service comprehensive plan should consist of a three-year base assessment and an annual supplement outlining the office's services, program and operational goals, and the staff distribution necessary to accomplish each year's objectives. The plan should reflect the results of the local comprehensive planning process, setting forth agreements reached and specifying the contribution to be made by each office. Planning should be done on a year-round basis, and documentation of the plan itself should be timed to coincide as closely as possible to the CETA planning cycle.

Such a planning process permits flexibility so that Job Service offices can respond to economic conditions in labor market areas, including those that cross state boundaries. This capability is unique to the Job Service because of its wide geographic dispersement on a labor market area basis. Local, bottom-up goal setting is consistent with the decentralized, bottom-up approach fostered by the Department of Labor (DOL) under CETA. Federal, top-down goal setting is inconsistent with this approach, yet is fostered by DOL under Wagner-Peyser and the Program Budget Plan. Local goals are more responsive to local conditions and needs, and local goals can be both realistic and aspirational.

Such a Job Service comprehensive plan may also be a management tool in a variety of ways which include assessing the office's role within the community employment and training system, determining the extent to which programs are being implemented and local needs are being met, and measuring accomplishments against goals.

Local plans, reviewed and approved at a state's regional level, should become the basis for state regional plans which total numerical goals, summarize planned coordination activities, and outline efforts to emphasize state programs.

Local and regional plans should thus become the basis for a statewide plan and the funding of its services.

The benefits of local comprehensive planning to the Job Service and the community are numerous.

- Sharing of planning information promotes common perceptions and understanding of community needs and resources;
- Duplication among agencies can be avoided;
- Development of mutual supportive service delivery systems fosters cost effectiveness;
- Coordinating and linking service delivery improves client access to and understanding of all services available;
- Community involvement and commitment by the manager enhances the local Job Service role;
- Setting bottom-up rather than top-down goals is realistic.

While program content in the plans may vary from state to state, the process should make each area's system a true reflection of local needs, and furnish a cost-effective way of meeting those needs.

IX. AUTOMATED SUPPORT SYSTEMS

The future of the Job Service depends on using modern, cost-efficient and flexible computer systems. The key element to free staff to perform basic and intensive services, to give the personal kind of service each job seeker needs, is the use of computerized information processing.

Each Job Service Center should have available to its staff information that allows job seekers to consider alternatives, to understand the dimensions of the local job market, to take tests and obtain quick results.

The important role that Job Service plays in economic development depends on labor market information that furnishes business and industry demographic and worker supply data tailored to local areas. To have such information available when it is needed, for a specific area, Job Service should be supported by an imaginative and flexible data processing system.

Job Service in the decade ahead should make greater use of the possibilities modern data processing technology allows. Sufficient funding should be allocated to make this possible throughout the entire national system.

Job Service needs should be defined in local and state terms, with systems tailored to meet each state's needs. Similar states should be able to design what is appropriate for their area, while larger states should be able to extend to additional functions.

Constant upgrading to take advantage of the latest technology is needed if Job Service is to perform the services envisaged in the decade ahead.

X. FUNDING

The Job Service should have adequate resources to provide the staff necessary to carry out its labor exchange and labor market information responsibilities. In its final report[2] to the President and Congress, the National Commission on Unemployment Compensation recommended that the 30,000 limitation on Job Service positions, in effect for the past 15 years, be eliminated. They further recommended that the level of funds for basic Grants-to-States be increased to fund 50,000 staff years by 1985.

Job Service operations and administrative support activities should be funded from a combination of sources, as follows:

Federal Unemployment Tax Account

- Services to employers
- Basic services to workers
- Basic labor market information
- Automated support systems

General Revenues

- Intensive services for workers.
- Enforcement and compliance activities should be funded under the auspices of the legislation creating each activity.
- Job Service funded activities that support special client programs such as WIN and Food Stamps should be paid for by funds maintaining each program.

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[2] Unemployment Compensation: Final Report; July 1980, National Commission on Unemployment Compensation.

Senator **Quayle**. Thank you, Mr. David, very much for your testimony.

I guess one question I would have is this. Why would we have three separate systems, employment service, CETA system, vocational education system, separate which are all pursuing basically the same goals? Why should we not work to combine these systems together?

Mr. **David**. Certainly, Mr. Chairman, we would not recommend combining them. We would recommend very close linkages. In many States we have that now. There can be and should be improvements in linkages between these three organizations.

Senator **Quayle**. Let us be more specific. Maybe just take employment service and CETA. They are both primarily federally funded. There is a problem of coordination which you have alluded to. Why should they not be combined?

Mr. **David**. I am going to ask Mr. Heartwell to answer that.

Mr. **Heartwell**. We are working on a closer alignment, Senator, as just about 20 percent of our State administrators are prime sponsors for the balance of States. Mr. Ford here is a good example of working with Mr. David in South Carolina, who is the head of employment service while Mr. Ford is head of the CETA program.

As far as combining—and I wanted to make that point because I think there is a lot of misinformation out there that prime sponsors and employment service are sometimes on a turf-type of a situation, I think one of the main things that we need to consider in the legislation that you will probably be proposing in the future is the funding of the two systems. One thing that we do not have the answer to yet is a point Mr. David brought out in his testimony. All of our administrative costs, or 97 percent of them, come from an employer's tax. Of course, all of the CETA funds come from general revenue. The employers are beginning already to ask the question, if their taxes are being utilized for the services that the Wagner-Peyser Act states that they should be. Then, if you are going to cut these funds, if you are going to reduce them, do they get a rebate on this tax?

There are all kinds of complications and formulas that need to be worked out. That is one problem, the funding problem.

I do think on the linkages we work extremely closely with prime sponsors and with other executive based organizations, providing labor market information. They contract for a lot of our services. As far as the placement services are concerned, they are always free because we are a free labor market exchange. And then we work very closely with the American Vocational Association, who you will probably hear from today too, I understand.

So, I think there is a need to more closely coordinate. If you could have local planning, bottom-up, with one advisory council that would represent all of the service deliverers going up to the State for final sign-off, this would be the first step, maybe incrementally, the first step that we should take in designing a new system.

Senator **Quayle**. I am aware that there is a different funding as far as the general revenue fund versus the employer tax. But a tax is a tax is a tax. You know, general revenue funds comes from not only employers but employees and other areas. So, as far as that being a reason to keep it separate, at least as far as I am concerned, falls on deaf ears.

I really am interested in why we should not work toward consolidation. We are talking about the block grants. We are talking about streamlining the Government. We are talking about more efficiency. And that is why I brought the particular question up.

The funding issue, is really not a reason to keep it separate, at least in my opinion. There may be other reasons, but that certainly is not one.

Mr. **Heartwell**. I was saying that that is going to create some problems.

Senator **Quayle**. Yes, I know you just wanted to point it out.

Mr. **Heartwell**. Right.

Senator **Quayle**. But, as far as any rationale to keep these systems separately, at least as far as this Senator is concerned, would not be very meritorious.

Does anybody else want to comment on that particular question?

Mr. **Sullivan**. I would just make one comment, Senator. A number of States have, as Mr. David indicated, centralized the administration of the systems. I think they feel they have done away with the duplication and conflict in mission and that sort of thing very well by having both of them report to a similar administrator.

Looking at the system the last 4 or 5 years, there have been some differences in terms of what Congress has expected of the two different systems. Generally, the CETA system has been asked to deal with a tremendous number of problems. One, I think, mainly is the structurally unemployed. The Job Service's main focus has been on frictionally unemployed people. And I think our goal is a little bit different. I think the goal for the CETA system in the past few years has been to increase the earning power of individuals going through the system.

Our goal as a labor exchange agency is to reduce the duration of unemployment that anybody would go through, whether it is somebody moving into a State with her husband and needs a job, whether it is a young person moving from school to work, whether it is a veteran readjusting from civilian life. So, I think in that sense that we have not really had the same mission. And I do not think we really have two systems out there doing exactly the same thing. I think the CETA system, I would say, particularly in Massachusetts, has been working very hard to deal with people that just cannot access the labor force any other way. They have been investing in institutional training, and they have been investing in on-the-job training. I think they are dealing with, as they say, a very difficult group.

One of our major approaches, obviously, is to get people jobs in the shortest possible time and to get employers' jobs filled in the shortest possible time. If your focus is on a 6-month or an 8-month time frame and you are trying to equip people with some long-term skills, you cannot respond to that employer who needs somebody that day.

Just for the record, we have placed through the Job Service last year over 4 million people. A good share of those, almost 50 percent, are young people under the age of 22. So, I think we are moving, particularly in my State, to fill a void we see between the education system and the needs of private employers.

We also—again I mentioned a different concentration—are serving the needs of a large number of disadvantaged people. Almost one-third of all the placements last year through the Job Service throughout the country were economically disadvantaged people. What I think we are providing to some of those people is a different service, a short-term service perhaps, but to them the need is just as strong as the long-term need, say, of another member of their family.

I think our focus also has been strongly on the private sector for a long time. A good amount of CETA's attention had to be directed in the 1976-77 recession to the public service employment, but I think everybody agrees that having both systems concentrated on the private sector is the way to go.

Senator QUAYLE. Thank you all very much. Mr. Bottoms?

STATEMENT OF GENE BOTTOMS, EXECUTIVE DIRECTOR, AMERICAN VOCATIONAL ASSOCIATION, ACCOMPANIED BY HAROLD CARR, SUPERINTENDENT, GREAT OAKS JOINT VOCATIONAL SCHOOL DISTRICT, SOUTHWEST OHIO; ROSEMARY KOLDE, ADMINISTRATIVE SPECIALIST, GREAT OAKS JOINT VOCATIONAL SCHOOL DISTRICT; AND CHARLES E. FIELDS, ASSISTANT SUPERINTENDENT AND AREA VOCATIONAL DIRECTOR, PROSSER VOCATIONAL CENTER

Mr. BOTTOMS. Mr. Chairman, I have three people with me today who will assist in answering questions as we get into the dialog stage. I have Dr. Harold Carr and Dr. Rosemary Kolde with the Great Oaks Joint Vocational School in southwest Ohio and Mr. Charles Fields, assistant superintendent and area vocational director of the Charles A. Prosser Vocational Center in New Albany, Ind.

Senator QUAYLE. We are glad to have you and particularly glad to have someone from Indiana.

Mr. BOTTOMS. Senator, we appreciate the opportunity to appear before you. We have given to you a rather lengthy document. I would like briefly just to highlight five or six major points and then move to a dialog.

It seems to us that one of the major decisions the Congress will have to make is to decide whether or not our employment and training policies will continue to parallel the welfare structure or whether it shall be restructured to parallel the occupational structure. That decision is fundamental. If we continue to parallel the welfare structure, the emphasis will be on just the hard-to-train, the lower level jobs, the segregation of poor minorities into separate programs and primarily one of distribution of wealth. The parallel of the occupational structure is to shift the emphasis to all individuals, the hard-to-fill jobs at all levels, mainstreaming approaches and the creation of wealth.

In suggesting that you consider shifting to the occupational structure, we are not proposing abandoning the emphasis on equity for the disadvantaged. Rather, we propose that more emphasis be given to the goal of economic efficiency than has been in the most recent past. This is essential if we are to alleviate the overcrowding of folks at the lower end of the job ladder and the great shortages we have in the middle range of the job ladder.

Second, in regard to the objectives of Federal employment and training programs, the basic objective is high employment. Achievement of high employment certainly includes initiatives to increase the number of job lenders and research and development efforts that improve the productive capacity of the workplace. I suggest here the committee might well look at the 100-year history of the agriculture industry in America. In no sector of American economy have we more closely tied research and development, education and information, and it is the one industry where the productivity continues to grow at the rate of about 3 percent a year in this Nation. It may well provide us a pattern as we look at other areas.

We have today a growing mismatch between people in jobs. We have too many folks competing for the unskilled jobs and an inadequate number of people for the health, office, information process, skilled and technical jobs that are available. You only have to try to begin to hire people in Washington for certain skilled jobs to recognize that, and I suspect this city is not that unique. So, a major objective of the employment and training policy has to be human capital development, for much of this Nation's wealth resides in developing the talents of its citizens, their knowledge, their skills, their imagination and insights. In developing the latent talents of our citizens, they are able to fill jobs available.

We find, Senator, that youth with talents, in 5 to 8 years 10 percent of the vocational graduates wind up owning their own business. It may be well that we begin to help our youth ask the opposite question: not who am I going to work for, but how can I use these developed talents to create a job for myself. We suggest that that is a far different kind of question than the question normally posed today in this Nation.

For a decade now we have focused on the two ends of the job ladder if you look at where Federal resources have gone, and we have ignored the middle range of jobs that are so critical to this Nation as we begin to revitalize our industrial base and competition with the other industrialized nations of the world.

I would like to just share with you five methods that we think offer some promise of working that would have implications for new legislation. As we try to think about what works, it seems to us that those Federal initiatives that have sought to improve the long-term capacity of communities to prepare good employees have paid off. I suggest to you the Appalachia approach that has built vo-tech schools from northern Alabama to southern Maine has aided that region in attracting jobs and holding jobs. You will see in testimony evidence of a narrowing of the per capita income of that region with the Nation which Lyndon Johnson in 1965 called the poorest region of America.

In that approach there was a shared decisionmaking power between the Federal, State, and local. The locals by and large are picking up over 80 percent of the operating cost of that capacity once developed. That is an entirely different approach than we have applied to the inner cities of America over the last decade and a half.

A friend who is director of vocational education in New York City turned away 15,000 youth a year who wanted vocational education in 1970. After billions of Federal dollars, he still turns away 15,000 youth a year because of inadequate training stations to prepare them. I suggest that, if we had spent some of our dollars differently to help communities develop a long-term capacity to help themselves rather than focusing completely on the short focus, we would have had a better payoff in some areas.

Second, we think intensive occupational specific vocational training works. Between pages 19 and 20 of our testimony I have 2 tables, just 2 bits of evidence, national studies. One shows secondary black male graduates who had vocational education, an intensive program of vocational education, had an unemployment rate of 10.9 as compared to those who had the general high school curriculum of 22.1.

On that same page is a summary of a study of 18- to 29-year-olds at the time of the 1970 census, those persons who could identify that they had had vocational education at the secondary level and those general high school graduates who had not. You find a 12-percent difference in the earning rate for those who have been vocational graduates.

Increasingly, as we are able to sort through those individuals who have had intensive programs of vocational training toward occupational specific education, you find positive results.

Third, there is one part of the targeted job tax credit that is working. That is the one for cooperative education. It has over half of all the placements, approximately half of all the placements out of the eight different categories. We think there are some reasons why that works. Employers will take disadvantaged kids if the school system is willing to work with them too and to work with them. If you want employers to get involved in developing people, you have to make it possible for both the school, and the employer to get together.

There is not as much redtape in that particular provision, and there are some other items which made that one work.

Fourth, as we look at what has worked, it seems to us that Federal initiatives that have sought to reform and improve basic institutions that local people are going to be supporting once this Congress is adjourned and will be supporting a decade away from now, have paid greater dividends than those initiatives that have attempted to bypass local institutions and did not seek to reform. Basically, if you contrast the approach we used the last 3 or 4 years in addressing a youth problem, that remained a Federal problem. The emphasis was not to reform the American secondary school. Contrast that with the ESEA approach to teach basic skills in the first three or four grades, where the emphasis has been to reform how we teach basic skills, and where great progress has been made through grade 4 in that particular effort.

Fifth, there are a number of States who for about 15 years have linked their vo-ed system with economic development initiatives. There are at least 15 that have been doing this for over 15 years. There are now approximately 30 States. The State of Indiana is the most recent State that has begun to look at ways to link vocational education with employer specific training to both attract and hold industry in a community.

Our association has recently visited some 20 different exemplary sites. We would be pleased at some later date to share with you, if you would be interested, those case examples of what made that work and how they came about and what the results happened to be.

The employment training goal of high employment will be achieved through the cooperation of several program components. We believe that cooperation can be facilitated among diverse program components located in different agencies under employment and training legislation that clearly defines the primary and unique missions of each program component and purposely avoids assigning the same mission to more than one agency. Through defining the unique roles of different program components, one promotes the natural basis for different agencies to begin to work together.

We see the reauthorization of employment and training legislation as an appropriate vehicle for defining the broad program structures needed to achieve employment training.

We think of at least five broad program structures that we have to think about in this whole area. There no doubt are others.

Vocational education and training is one; that has to be one component. Client support is another, particularly client support that helped to insure that the disadvantaged are brought into the mainstream system, but not the kind of client support where you turn over to the welfare agency also the managing of your training program. We think the management of a training program ought to be separated from the client support service.

Third is economic development. There are many Federal initiatives in this area. But, when you think about enterprise zones, you are not going to get industry to locate in enterprise zones until that community can assure them there is going to be a supply of good workers available. I grew up in the South, and I can remember we did not have any jobs there or a whole lot of industry. Until we develop the capacity to assure employers that we can provide good employees that are trained, not many people are interested in making a location. I think that will be true with enterprise zones as well.

Fourth is private sector initiatives. The Tax Code may well be a place to promote public-private joint venture. We list several possible areas of development in the testimony. In the employment service, particularly the State employment service, in their local employment office, there is a unique role here to play in connecting employers. We are going to have a major disjuncture between location of jobs in this Nation and where people are. You have States that have 3 percent unemployment in this Nation. We are very uneven in the employment pattern across this Nation. You have a boom in one area and a depression in another. There will be movement of folks.

As we think about vocational education in terms of the new employment and training legislation, we see the voc-ed system as a very flexible, decentralized, and diverse set of programs and one in which you almost have to ask what kind of institutions deliver it to figure out the nature of the program. But there are at least five national concern areas that we feel that this dimension of an overall employment and training program could begin to address.

We already have shortage of skilled workers in America, and it is going to increase. We think that there is a role here to increase the quality of programs. We think the scientific and technical literacy base of our secondary and postsecondary programs have to be upgraded. We simply have not had the capital dollars in recent years to mount some of the programs and the new technology that we need to move into.

We still have rural and inner-city communities that lack the capacity to develop their people. Until we can help them develop that long-term capacity, I do not see how you can either hold jobs in those communities or encourage folks to relocate there.

Many people have forgotten it was the State boards of voc-ed and the voc-ed system that in World War II trained 7.5 million workers for the war defense industry. As we look at their military preparedness goals, one might begin to look at ways that this system can contribute to help the military defense industry acquire the skilled workers they need and leave in that community a capacity that will help other employers. Not all of the big companies that will be in defense will be large ones. There will be many small companies that will not have directors of training and cannot mount in-house training programs.

The problem of the hard-to-train youth is a great challenge to America. We simply must raise the productive capacity of 20 to 25 percent of our youth in order for them to find a place in our economy, or else we are going to import people to fill critical jobs. I think an approach to get at this is an approach on the part of the Federal Government that seeks to encourage State and local institutions to make the reforms necessary, to begin to make modifications in those institutions to serve more effectively this group of youth, particularly the American secondary school and the 2-year postsecondary institutions.

Emphasis will have to be given for extra time. That is one of the few variables you can control in education. If you have a youngster who reaches the 10th grade and still is illiterate and you want to train him for today's world, you cannot do that in 6 months. You basically have to raise a basic educational skill, develop attitudes and occupational skills, and you have to stretch time. And that is an added cost.

There are extra services that are required to get at this. This is where a joint State and local partnership might begin to come into play.

Adult unemployment last year grew faster than both youth and female. I suspect when the tax bill passed we would begin to rebuild some of our older industrial plants. The structural unemployment we have seen in the automotive industry will increase. There will have to be adult employment training service focused.

One final recommendation, Mr. Chairman, is this. Since the reauthorization of voc-ed legislation will be taking place within the same time frame as the employment and training legislation, we would urge that the reauthorization of the voc-ed legislation be shaped so that it can become the vocational and training initiative under the broader employment and training program. It is a decentralized program. It is one that the local people have some confidence in. They put up a substantial part of the dollars. It already has a partnership approach between the Federal, State, and local. We would see that the Federal priorities for such a system would include quality. If you keep the program of quality, it will remain a mainstream program for all people, accessibility in communities that lack that capacity today and emphasis on equality of opportunity to make sure that those who are the most difficult to train, that the resources are there to give those extra services and extra time that will be needed in collaboration particularly between this system, the employment service, economic development, and other elements of the employment training program.

We appreciate this opportunity to share these thoughts with you.

[The prepared statement of Mr. Bottoms follows:]

STATEMENT
OF
DR. GENE BOTTOMS
EXECUTIVE DIRECTOR
AMERICAN VOCATIONAL ASSOCIATION

BEFORE THE
SENATE SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY

CHAIRMAN

THE HONORABLE DAN QUAYLE

June 18, 1981

I. CRITICAL ISSUES IN AN EMPLOYMENT AND TRAINING POLICY

Mr. Chairman and Members of the Subcommittee -

I am Gene Bottoms, Executive Director of the American Vocational Association. I come before you today on behalf of those educators concerned with the preparation of youth and adults for stable, productive and satisfying jobs.

Mr. Chairman, we express our appreciation to you and the members of the subcommittee for inviting us to convey our views on the eight questions you have raised.

Last March President Reagan did a count of want ads in The Washington Post and the New York Times and found an abundance of job openings. This informal survey led him to express amazement and a large degree of skepticism about the inability of so many people to find jobs.

Many people see the unemployment problem as stemming, not from a lack of jobs, but from an unwillingness of many to work. We do not believe that the answer is so simple. But we do believe that the problem which President Reagan was addressing--a mismatch between workers' skills and the needs of the workplace--is clearly tied to national employment and training policies. The solution depends to a great extent on some changes in those policies.

During the last decade and a half, federal programs of employment-related education and training have focused primarily on the welfare needs of the poor. The goal has been to reduce the past effects of discrimination by providing training that will allow disadvantaged people to move into the mainstream of society. Despite the worth of this goal, the programs designed to achieve it have not worked as well as they should, and often the result has been just the opposite: Recipients, dependent upon public short-term support, have been segregated as completely as they were before the birth of these social programs. They have remained a part of an underclass in our society.

It is this mismatch between federal goals and outcomes of federal programs to meet those goals that we wish to address today. We do not believe that the answer lies in doing a better job of coordinating present efforts. Rather, we believe that the current approach needs a major overhaul in terms of underlying assumptions, methods, program structure and the role that vocational education might play in a revised employment and training policy.

We would like to look first at what we feel must be the basic underlying assumptions in developing a new federal employment and training policy.

1. Employment and Training Policies Must Have An Occupational Rather Than a Welfare Structure

During the mid-sixties, the federal government decided to focus its employment and training efforts on targeted groups of people who had suffered from social, educational, economic and class barriers in finding employment. In effect, the decision was to build a training system to serve the welfare recipient. Since that time, the federal government had poured billions of dollars into the construction of a system which in effect has made the nation's welfare managers also the managers of the nation's training programs. These welfare managers have placed the bulk of emphasis on providing public service jobs and other forms of income transfer, rather than training.

This emphasis on meeting the short-term needs of the hard-to-train came at the expense of any emphasis on the requirements of the workplace. The people on whom national programs concentrated were those who could, at best, hope to find jobs only at the lowest end of the job ladder. While expanding payments to this group at the bottom, programs were doing little to address major shortages in technical jobs requiring a more advanced level of skills training. The needs of private sector employers for workers have been ignored because of a single-minded focus on achieving equity for the most disadvantaged members of our society. Equity for others who need training has been overlooked, and national productivity has suffered.

In reality, the goal of equity has been retarded because the number of persons competing for jobs at the lower end of the job ladder have increased making it even harder for many entry-level workers to find employment.

We submit that this is not the foundation on which the entire employment and training efforts of our nation should rest. The structure instead should be an occupational one which emphasizes raising the productive capacity of all individuals through programs and institutions that are a part of the mainstream activities of our nation's communities. One major concern of this program would be to serve the hard-to-train but focus would also be placed on moving individuals into advanced-level skilled and technical jobs.

Such a training system would be managed by educators from the public and private sectors. Managers of the welfare system would work with the poor and hard-to-train in securing the services that would allow these individuals to move into the mainstream system. Rewards within the system would be based on successful completion of the program.

2. Employment and Training Programs Must be Partnership Efforts Of Federal, State And Local Governments Rather Than Separate Highly-Centralized Federal Programs

The most effective approach to addressing the national employment and training needs is one in which states and local communities are involved in defining programs and searching for appropriate solutions.

The federal role should be to serve as a catalyst to cause states and local communities to become involved in addressing critical employment and training needs.

Local communities understand their own occupational structures better than anyone else. The solutions to broad national problems will come only as community after community seeks solutions to problems at home.

This shared approach will facilitate diverse solutions to problems that in fact differ widely from community to community. Such a decentralized system gives everyone a stake in finding solutions to problems rather than providing them the ready excuse, "that's the federal government's problem."

Sharing also means sharing the costs as well. It is obvious that when state and local governments bear part of the costs, more cost-effective strategies will be found than when they can say "that's federal money--free money. We don't need to worry about it. We'll do what they tell us to do."

3. Employment and Training Policies Must Be Designed to Achieve Long-Term Solutions

A major difficulty with current policies is that they are focused primarily on short-term "Band-Aid" approaches directed more toward symptoms than causes. Under our present policy, communities are in effect rewarded for high levels of youth and adult unemployment. That is, the higher the unemployment level, the more dollars they receive.

Too often our federal efforts have focused on establishing alternative systems rather than on helping our permanent institutions to grow and improve to meet the needs of our entire population. Improving the permanent system offers the best chance to arrive at long-term solutions that address the root rather than symptoms of the unemployment problem.

With dollars directed toward quick solutions, the long-term solutions to youth unemployment, structurally unemployed adults and the loss of jobs have continued to elude us. Our efforts must in the future focus on building the capacity of each state and each community to prepare all of its citizens for permanent jobs in the private sector. Such assistance would aid communities which do not have adequate vocational and training programs to expand them. The result would be an increased capacity to attract and hold jobs in the community because employers can be assured that there are employees available who have the necessary skills to meet their needs. Contrast this approach with the efforts of the immediate past in which we have paid students who left existing secondary school programs for short-term public service jobs which did little to equip them with the needed skills for private sector employment.

4. Employment and Training Policies Must Involve Private Sector Employers In Cooperative Efforts With The Public Sector

The ultimate goal of national employment and training policies must be to help people find employment in non-subsidized jobs in the private sector. Community employers will work with local institutions in preparing youth and displaced workers for permanent employment if there is a minimum of bureaucratic red tape involved.

New legislation should encourage employers to recognize that human capital development is as critical to our economic system as capital formation for development of new plants and technology. Tax credits used appropriately can be an incentive to encourage employers to work more closely with schools in providing on-the-job training. At the present time, many employers seem to feel that they have no obligation to develop human capital and that the employees they need will show up at their gates well prepared to meet their needs.

Closer cooperation with educational institutions will increase the likelihood that employers will be able to find workers who have the necessary basic and technical skills needed to succeed in a job. Partnerships can result in better occupational-specific education and can help determine when training geared specifically to the needs of an individual employer is required to supplement the occupational-specific training.

5. Employment And Training Policies Must Be Coordinated With Fiscal Policies

Coordination of employment and fiscal policies requires that educational institutions have the ability to respond quickly to fiscal policies which have a direct impact on vocational education and training programs. Here are some examples of this interrelationship:

- If interest rates are allowed to rise in order to control inflation, the construction industry will be deflated. Therefore, it makes little sense during this period to stress training in construction trades.

- A massive increase in defense expenditures will result in wage inflation in high technology jobs required to meet defense industry needs because of shortages of qualified workers in these fields unless training initiatives are undertaken to fill the gap.
- A tax bill focusing on depreciation of equipment in plants as an incentive for retooling also requires a capacity to retrain adults who will be displaced by the new equipment.
- Enterprise zones providing tax advantages to industries which locate or relocate in these areas must also have the capacity to prepare residents for the resulting employment.
- Federal incentives to expand the production of domestic energy measures in the West will create a demand for skilled workers in those regions.

These examples show the impact of fiscal policies on training needs. Increased coordination of employment policies will result in an improved capacity to make fiscal policies work.

Each of these initiatives will, in some way, require that local institutions revise their vocational-technical programs in order to remain up-to-date.Keeping programs in tune with changing national emphasis must be viewed as a joint responsibility for all levels of government.

II. OBJECTIVES OF FEDERAL EMPLOYMENT TRAINING PROGRAMS

The basic objective of federal employment and training policy is high employment. Much of the nation's well-being is tied to the achievement of that goal. When unemployment goes up, federal expenditures for welfare spiral while tax receipts decline. Social unrest, juvenile delinquency and crime rates are related to the unemployment rate.

Federal involvement in employment and training began as an effort to assist the states in raising the productive capacity of individuals so that they might chart their own destinies in a capitalistic system. This involvement began with passage of the Morrill Act of 1862, establishing the land grant colleges. These colleges were "to promote the liberal and practical education of the industrial classes." The early emphasis was predominantly on education in agriculture and "the mechanic arts." Their birth heralded a new form of education for work and contributed substantially to the economic growth of the nation.

The Smith-Hughes Act of 1917, which established national support for vocational education programs, was the next major federal effort to assist the states in preparing people for work. The purpose of the legislation was to improve the capacity of secondary schools to prepare youth for work and family life.

With the great depression of the 1930's, federal employment and training policies were broadened to include the concept of public service employment as a means to sustain high employment. While the New Deal programs brought relief and income to many of the unemployed, they did not solve the employment problem. Unemployment in 1940 (15 percent) was higher than in 1930.

But World War II did solve the employment problem as more than 10 million working men from a total labor force of 45 million were inducted into military service.

Most people feared that a new wave of unemployment would accompany the return of the war-time army to civilian life. Congress passed the Employment Act of 1946, the George-Barden Act, and the G.I. Bill. However, unemployment did not prove to be a serious problem, and it is interesting to speculate about how much of the post-war boom can be attributed to the technical training and experience which the defense workers and the veterans had acquired hastily during the war and the education and training which so many pursued under the G.I. Bill upon returning to civilian life. The National Defense Education Act of 1956 also provided technical training.

In 1962 Congress passed the Manpower Development and Training Act. In this act Congress made a major change in its approach to employment and training needs. The act established what was clearly a federal program with the states and local communities sharing little in the decision-making power and contributing nothing in the way of resources. Because unemployment for minority groups began to be seen as a problem in the early 1960's, the Administration, with the tacit approval of Congress, decided to make another major policy change. The MDTA programs were focused on the hard-to-train.

The next year, the Vocational Education Act of 1963 expanded federal support of vocational education in an effort to assure accessibility to quality vocational programs for youth and adults in all communities.

Differences in MDTA-CETA/Vocational Education Approaches

The difference in the two approaches was dramatic. One was a direct federal effort to attempt to improve opportunities for one segment of the population. The MDTA legislation was the forerunner of the Comprehensive Employment and Training Act of 1973. The focus moved increasingly away from training toward a heavy dependence on public service employment; in essence it became an income transfer program.

It was sold on the basis of giving the decision making authority to governors, mayors and county officials, who in fact took on additional duties as welfare managers, administering programs funded totally by the federal government. The emphasis was on maintaining rather than developing the individual and on public employment to serve short-term needs rather than preparing people for permanent employment in the private sector.

The other approach, manifest in the Vocational Education Act, was to build a permanent system funded primarily with state and local dollars. Federal dollars served as the catalyst for creating new programs which were then maintained and expanded with local funds. The emphasis in this program was on providing employment opportunities for all people for both entry-level and more advanced employment.

This act helped foster the growth of enrollments in vocational programs from 4.2 million in 1963 to 17.2 million by 1979. Community college technical institutes, area vocational schools and high school programs were expanded. The institutional capacity of vocational education more than doubled this period. But subsequent amendments to the Vocational Education Act moved away from the goal of improving productivity, efficiency and accessibility for all toward an emphasis on equity for disadvantaged populations. Federal funds were directed almost totally to that goal, leaving support of the basic system increasingly to states and local communities.

Improving Individual Capacity And Employment Environment

Because of a misplaced notion of how to improve equity, federal policies moved increasingly away from efforts that would develop the capacity of individuals to fill the broad range of middle and advanced level technical skilled jobs so critical to our national well-being. Yet during this period, most of the new jobs were jobs requiring more education and occupational skills. Between 1959 and 1978, total employment increased by 30 million workers. More than half the increase -- 16 million new jobs -- was in the higher level, professional, technical, managerial-administrative, sales, and crafts occupations. The job market of the country shifted radically from production of goods to services. In 1948 there were 20.9 million people in goods production and 27.3 million in services. In 1977, there were 25.1 million people in goods production, but the number in services had multiplied to 54.4 million. Eli Ginzberg, in a recent article in the Scientific American, advances the thesis that "human capital, defined as the skill, dexterity, and knowledge of the population, has become the critical input that determines the rate of growth of the economy." If we are concerned about increased productivity and revitalization of our economy, we must recognize that human capital plays a dominant role. It is the expansion of knowledge, skills, imagination, and insight which enable us to make the best use of our physical capital. This has to be a major objective of an employment and training policy.

A European recently observed that it is interesting to note that our government now concentrates all employment and training efforts on the two extremes of the job ladder, ignoring the bulk of those jobs that are crucial to economic efficiency and productivity.

In Small Is Beautiful, E.F. Schumacher wrote:

> "Development does not start with goods; it starts with people and their education, organization and discipline..."

For all of these reasons, our conviction is that vocational education and training must be more closely connected with the employment and training policy of this country.

Yet we would not call for a policy that concentrates only on this dimension. A second objective of our employment and training policies must be to influence the employment environment. There are two approaches to improving the environment. The first involves establishing policies that will provide incentives for private employers to create more jobs. The second concerns influencing the quality of the work environment itself in ways that improve our ability to produce.

If federal policy of fifty years ago had concentrated solely on improving the ability of individuals to pick potatoes or shuck corn, it would have been extremely short sighted. This approach could have resulted in better potatoe pickers and corn shuckers. But through research and development we have been able to improve the methods used to harvest both potatoes and corn.

Today we need a different type of worker with higher-level skills to perform those jobs, and we have improved production dramatically in the process.

Efforts to improve work practices through research and development in conjunction with appropriate training of workers who can utilize the resulting technology are essential if America is to maintain its position as the most productive nation in the world.

III. EFFECTIVE STRATEGIES FOR ACHIEVING EMPLOYMENT-RELATED EDUCATION AND TRAINING OBJECTIVES

Numerous federal, state and local agencies operate programs which prepare people for work. Vocational education is the oldest and most comprehensive of these programs. Since the early 1900's, vocational education programs have prepared millions of youth and adults for work, and have helped millions to get better jobs. Over the years, however, other employment-and-training-related efforts have sprung from departments of government, such as Labor, Commerce, Energy, Transportation and Defense as well as from bureaus concerned with apprenticeship, special needs, small business, minorities, higher education and women. Recent legislation which links certain populations and issues to preparation for work includes the Comprehensive Employment and Training Act (CETA), the Elementary and Secondary Education Act (ESEA), the Education for All Handicapped Children Act, the Trade Adjustment Act, the Targeted Job Tax Credit Program and the Women's Education Equity Act.

There are few linkages among these delivery systems. Programs which share many of the same purposes (and often similar means) are seldom related in program operations.

Yet an effective employment and training policy must transcend problems of "turfism" and diverse participants, utilizing the most effective approaches to solving employment needs of the nation. What are the most effective methods?

The answer to that question is made more difficult by the fact that we must ask not only what works best but what works best for whom, under what circumstances, at what age, from what kind of socio-economic background and in terms of what kind of job. Consequently, the effectiveness of pilot demonstration projects cannot always be replicated. Programs which continue to merit support from many different groups in many different places over long periods of time must be meeting long-term needs.

We feel we have learned something over the years--both from research and through grassroots experience. It is possible to make some general observations about what works.

We believe that the facts bear out that vocational education has been an effective national approach to employment-related education because it offers the only on-going, diversified and decentralized capacity to meet employment needs at the local community level. This approach has given communities a long-term ability to provide employers with good choices of employees and to provide trainees with improved options in work. As a result, vocational education is a system that local taxpayers are willing to support with their own dollars.

Other criteria for success exemplified by vocational education include:

- Joint efforts between local employers and local institutions to prepare individuals for employment have been successful in opening doors to jobs for many youths for many years.
- Programs that allow participants to enter mainstream programs are more successful than those that resegregate the disadvantaged in special programs.
- Initiatives that provide allowances based on successful employment are more effective than those which reward participants simply for going to school.

Here are five examples of the strategies that we feel are especially effective in developing individuals for employment and opening doors to employment opportunities.

I. Improving Local Community's Capacity to Prepare Good Employees.

It is not too difficult to see that the community with the capacity to prepare youth and adults for employment has an edge over a community without such a capacity, both in attracting new jobs and holding existing ones. When several communities join together and establish an area vocational-technical school or skill center, they are providing themselves with a dynamic capacity to respond to demands for human resources made upon them by business and industry in their area.

Since 1965, the Appalachia Regional Commission (ARC) has aided communities to construct vocational schools throughout the region. By the close of the 1970's, relatively well-equipped vocational centers served most of Appalachia. ARC has provided eighty percent of the funds for constructing these vocational education facilites with a twenty percent match required from the states or local communities, which are responsible for operating the programs once they are developed.

This approach illustrates localized decision-making power. The federal governement did not try to dictate to the Appalachia Regional Commission the exact nature of the programs that were to emerge in local communities. Local communities built the programs based upon local labor market needs and made their programs part of comprehensive high schools, or components of community colleges or separate facilities--secondary or postsecondary. Since these decisions were made locally, there is a sense of ownership and support that is not experienced in 100% federally supported programs.

Appalachia residents have enrolled in vocational programs in large numbers. Enrollments in trade and industrial education alone grew from 31,000 in 1965 to 124,000 in 1975.

And, enrollments seem to be paying off in improved per capita income. From 1965-1974 the per capita income in the region, while still lagging behind the national figure, grew 34 percent compared to a total national increase of 26.5 percent.

Federal initiatives directed toward the nation's cities have never taken an Appalachian approach. Basically, the urban strategy that the federal government has used for almost two decades is one in which dollars have been directed at the symptoms of problems for immediate, short-term solutions, rather than aiding inner-city communities to reform and improve their permanent institutional capacity to provide good employees. Thus today New York City still annually turns away 15,000 youth who want vocational education. Ninety-four percent of last year's vocational high school graduates were employed, in a city whose youth unemployment is above 15%, and among minorities is well into the 30 percent range.

Joint efforts to aid local communities to improve their capacity to develop their citizens can and do have an impact on the goal of full employment.

2. Increasing Individual Chances of Employment and Improved Earning Power.

Getting Jobs. The primary purpose of vocational education programs is to prepare students for employment, either immediately after graduation or after completing further study. Vocational education is the most truly accountable of all educational programs, because evaluators can determine whether or not students find jobs.

Studies conducted by the National Center for Research in Vocational Education and the National Center for Education Statistics have found that:

- Unemployment is low, in most cases less than 10 percent, for graduates of secondary and postsecondary vocational education programs.

- Only 6.1 percent of vocational education graduates who are disadvantaged were unemployed and seeking work within a year after completing a program.

- Only 7.1 percent of vocational education graduates who are handicapped were unemployed and seeking work within a year after completing a program.

- A majority of vocational education graduates are satisfied with their jobs. Employers are satisfied with their work performance and in some cases more so than with other entry-level workers.

- Black vocational education students who graduated from high school had an advantage in finding jobs over black graduates who took general or college preparatory curriculum, according to a longitudinal study of young Americans conducted by the Center for Human Resource Research at Ohio State University.

Increased Earning Power. The paycheck is another measure of the effectiveness of vocational education. Graduates of vocational education programs should make higher salaries than if they had received no training, and research studies prove that is true. A study by the Ohio State University based on 1970 census data of a youth sample ages 18-29 showed:

- In all occupations except farming, the average earnings of vocational graduates were higher than those of nonvocational graduates. The training benefit increased earnings by as much as 40 percent, with the average being 20 percent.

- In upper white-collar occupations, vocational education yielded a net gain of $612 per year.

- Lifetime earnings of vocational graduates are distinctively higher than those of nonvocational graduates. On the average, vocational graduates can expect to earn roughly 12 percent higher lifetime incomes than general education students.

- The earnings of vocational education graduates as compared to nonvocational graduates varied, depending on type of job, race and sex. In almost every category, vocational eduation graduates had an advantage in salaries earned. (cf. chart.)

3. Linking Vocational Education to State and Local Economic Development Initiatives.

Many states have found that their capacity to provide good vocational training is an important plus in community economic development. In some of the states, notably North and South Carolina, Georgia and Oklahoma, providing a training program customized to an industry's needs has been a very attractive incentive in encouraging industries to locate new plants in the state. Customized training programs, funded primarily with state funds, are important inducements in these states' economic develoment programs. This movement has spread rapidly to other parts of the country with more than 30 states offering business and industry this type of service today.

Programs operate in different ways from state to state but all rely on their permanent vocational education systems to carry out the training. Vocational educators have worked closely with economic development agencies in mapping out the needed training strategies. In South Carolina, the Special Schools Program uses the resources of the state's 16 technical colleges and

UNEMPLOYMENT STATUS OF NONENROLLED HIGH SCHOOL GRADUATES, BY HIGH SCHOOL CURRICULUM, SEX AND RACE

High School Curriculum	Female			Male			Total
	Black	Hispanic	White	Black	Hispanic	White	
	Unemployment Rate						
Total	29.5	6.5	10.6	21.7	11.7	6.1	10.3
Vocational, commercial	23.1	8.1	14.0	10.9	10.5	5.4	10.6
College preparatory	26.8	7.0	6.3	28.2	6.8	6.4	9.2
General	33.7	5.5	10.9	22.1	14.8	6.2	10.6

Source: Borus, Michael E.; Joan E. Crowley; Russell W. Rumberger; Richard Santos; and David Shapiro. Pathways to the Future: A Longitudinal Study of Young Americans, Preliminary Report: Youth and the Labor Market--1979. Columbus, Ohio: Center for Human Resource Research, Ohio State University, 1980.

THE EARNING RATIO OF VOCATIONAL TRAINEES TO OTHERS BY OCCUPATION AND SUBPOPULATION STATUS

Subpopulation Status	Upper White-Collar	Lower White-Collar	Upper Manual	Lower Manual	Total*
Black Males	0.917 (4,717)	1.036 (4,800)	1.069 (4,918)	1.005 (3,758)	1.031 (4,428)
Black Females	1.431 (6,357)	0.999 (3,342)	0,903 (2,567)	1.621 (3,100)	1.141 (3,265)
Nonblack Males	1.131 (8,040)	1.057 (6,253)	1.128 (6,815)	1.133 (5,597)	1.098 (6,166)
Nonblack Females	1.123 (4,702)	1.062 (3,455)	1.029 (3,070)	1.447 (2,672)	1.111 (3,382)
Total:	1.091 (6,502)	1.067 (4,003)	1.217 (6,228)	1.099 (3,789)	1.130 (4,837)

*The data presented in this column shows how much of an advantage the subpopulation of vocational graduates had over nonvocational graduates (the percentage above 1.00).

Source: Wen Lang Li, The Effects of Vocational Training--An Evaluation Study, Columbus, Ohio: Department of Sociology, Ohio State University, May 1980.

55 vocational centers. Between 1961 and 1980 the program offered training to 67,200 workers in 582 new and expanding industries. State leaders give major credit to this program for helping the state achieve the remarkable industrial growth it has experienced within the last two decades.

The Oklahoma program has offered customized training to more than 40,000 Oklahomans since it was started in 1968. It has been an important partner in helping Oklahoma attract many high technology industries to the state. At the same time, existing industries have received help in expanding their capacity and training people for new jobs that bolster local economies.

In Wisconsin, the vocational education program, regarded as exemplary throughout the country, depends heavily on close association with business and labor groups to keep its programs in tune with economic needs. Serving on advisory and governing boards, a large number of industries and businesses are involved in vocational education program planning and make very specific recommendations on the kind of equipment Wisconsin companies will be using and on curricular changes needed to meet their needs.

In addition to state-sponsored programs, local vocational schools and other institutions offering vocational programs have joined with local Chambers of Commerce and other local agencies to provide specialized job training services to local industries.

This successful approach to helping industries find the kind of workers they need should be an important strategy in any future national employment and training effort.

4. Forming Partnerships with Private Sector Employers to Prepare Youth for Employment

Employer/school cooperation has been one of the keys to the success of vocational education programs. Cooperative education programs offer the best advantages of both in-school and on-the-job education. Participants are enrolled in programs at vocational institutions and spend part of their school day in the classroom. The balance of the time is spent at the job site working on tasks that allow them to put what they have learned in the classroom into practice. The work site assignments are arranged by the cooperative education coordinator who keeps in close touch with both the employer and the student enrollee during the training period.

In 1978, Congress, in recognition of the value of this type of educational approach, included cooperative education students as one of several target groups in its Targeted Job Tax Credit (TJTC) Program (Revenue Act of 1978--P.L. 95-600). In this incentive program, employers are entitled to tax credits on wages paid to members of the target groups. These groups are comprised of people who typically find it difficult to secure employment.

TJTC has been a resounding success in encouraging increased private sector involvement in cooperative education. One measure of the success is the number of participants. In 1980, cooperation education youth TJTC certifications represented 46.9% of the total of 284,598 certifications.

Yet even more significant in measuring the program's success is the nature of the employer/school cooperation. A number of factors make this program different from the six other categories.

- A minimum of "red tape" exists since employers simply work with schools to identify eligible students.

- Approximately 50 percent of the participants are disadvantaged youth, thus allowing the program to be of special benefit to a category that faces more serious problems in finding employment than other youth.

- Employers and schools can work together in solving problems without the necessity of involving separate, expensive agencies.

- Work experience is significantly more effective since youth have the opportunity to work with one employer over time. This allows the youth to gain experience and knowledge of the labor market and to acquire job skills that make them an asset to their employers.

The support cooperative education receives through TJTC suggests an effective approach for expanding joint public/private initiatives. The public sector assists in training and in reducing some of the costs for the employer and the private sector provides students with the opportunity to participate in "real" rather than "make" work. At least half of the cooperative education students remain with their employer upon graduation. This approach, therefore, seems to be a successful way to increase job openings.

5. Reforming Existing Programs Rather than Creating A Separate System that Segregates Participants.

The federal government has tried to address problems experienced by special groups such as the poor, minorities and handicapped individuals by creating a separate system to serve these people. This has tended to resegregate people rather than allowing them to move into the mainstream of society. We feel that a more successful approach to solving the problems of special groups is to reform traditional programs to make them more responsive to these individuals' unique needs. Established vocational education institutions and programs are best able to serve the needs of all people because they are flexible, decentralized and diversified.

Several major factors contribute to the effectiveness of these programs:

1. The programs are located or administered in traditional, well-established institutions. The public school systems, community colleges, technical institutes and other institutions are governed by citizen boards which are responsive to local community needs. These institutions have a wide range of capabilities for making changes in order to address national concerns. The rapidity with which such changes can be made is determined by the levels of staff competence and leadership.

2. Mainstream programs are accountable because of their governance and administrative structure. Watchdogs for the effectiveness of vocational education include boards of trustees, institutional administrators, local advisory committees made up of employers, parent-teacher associations, and local taxpayers and parents. Periodic evaluations and annual reviews are commonplace in institutions that administer mainstream programs. As a result, needed changes and program revisions are apt to be made quickly.

3. Mainstream programs have access to numerous program resources to help meet special employment-related education and training needs of students. These include such services within an education system as basic education instruction, guidance and counseling, vocational assessment, special education services, school nurses, job placement services, school nutrition programs and free transportation to school.

4. The diversity of the student population at mainstream vocational education institutions is a definite advantage for disadvantaged students. They

can work alongside older students who have mastered skills and who can serve as good role models. Through student organizations and other extracurricular activities, disadvantaged students can develop leadership and social skills that are needed for success in the work world.

5. Mainstream training programs require adequate performance from participants for them to remain in the program. If students are truly having difficulty in mastering competencies, assistance is provided.

Seventeen years of evaluation research reveal the following things about programs that separate or segregate people into certain programs, especially some of the CETA programs.

Trainee selection and retention policies which overload a program with poorly motivated and low-achieving persons tend to doom the program to failure. For example, segregating or limiting a program to 16- and 17-year-old dropouts caused one program to be populated mainly with poorly motivated individuals who fed on each other's faults. They had, once again, been segregated into a class of failures.

In this same program, the more competent staff members began quitting, leaving only less competent and less dedicated staff. The finding was that staff are prone to leave less successful programs, with the more competent staff quitting first. Segregating programs lack stability; hence, getting and maintaining competent staff and obtaining staff dedication become major problems.

Programs that segregate and don't mainstream tend to stereotype people or label them. Also, segregating already stereotyped persons into a program limited only to a special group tends to stigmatize that program. A stigmatized program develops a reputation for being one where only misfits are assigned. When a program has such a reputation, business and industry employers decide not to recruit employees from that program. So the products of segregating programs are placed predominantly in public sector jobs, not in production-oriented private sector jobs.

This parallels the welfare structure that has permeated federal employment and training policies for almost two decades. Such policies need radical revisions. Before any policy is established or any program is begun, the question must be answered: Will these programs resegregate the participants?

IV. COMPONENTS OF AN EMPLOYMENT AND TRAINING PROGRAM

A comprehensive employment-related education and training program for our nation will utilize the capabilities of a number of diverse agencies and groups to carry out all the services needed to move people into permanent, stable jobs. Yet it is important that the program tie all of the diverse activities together in a manner that will assure that duplication of effort does not occur.

In building a program that pulls together a number of activities currently located in different departments of government and specified in a number of separate legislative acts, we must be careful to avoid some of the mistakes of the past. The new program should be developed to assure that:

- Each agency involved in carrying out some part of the employment-related education and training program has a clearly defined mission that does not overlap with the mission given to another agency.
- Each program component reinforces the others so that it is natural for the diverse groups involved in the program to work together. They should not be competing to accomplish the same objectives.
- Funding is set up in a manner that the mission of each is enhanced by working with the other groups which are involved in carrying out part of the program.

Since many local groups will of necessity be involved in carrying out some part of the program, it is essential that the federal government provide a means of coordination. We believe that the reauthorized employment and training legislation is the appropriate vehicle for establishing objectives for the program and setting in place appropriate means of coordination.

With these concerns in mind, we believe that a comprehensive program should contain five program components. These components are:

(1) Vocational education and training.

(2) Client support.

(3) Economic development.

(4) Private sector initiatives.

(5) Job services.

Vocational Education and Training

Any federal initiative to pursue full employment must contain as one major component a role for the federal government to cooperate with states in improving and expanding employment-related education and training. The purpose would be to enable states and local communities to:

- Support and strengthen the relationship between education and work by encouraging states to accept their constitutional responsibilities for quality employment-related education and training.
- Address the national concern for improved productivity in the workplace.
- Use quality employment-related educational training for attracting and creating or retaining jobs in economically depressed areas.
- Develop an education and training response to the problems of conserving, generating, converting and efficiently utilizing energy.
- Focus on the goal of full employment by providing employers with qualified workers whose skills are up to date or by preparing persons for self-employment.

Strong vocational programs are essential for achieving high employment. Vocational education programs provide individuals of all ages with access to programs that will provide them the skills they need to enter or reenter the job market or upgrade their employment skills. Sound vocational programs provide learners with assistance in strengthening scientific, technical literacy, basic and job skills.

These programs utilize both institutional and on-the-job approaches to preparing people for work, and upgrading those who are employed. Every major industrialized country in the world has a system to prepare its youth and adults for employment.

Vocational education programs must be mainstream efforts designed to serve persons from all socio-economic levels of society. Programs can be made more effective by utilizing facilities and equipment on an expanded daily schedule and throughout the year.

This system must be managed by educators (those persons who have education and training as a primary goal), rather than by those who are dispensing client support and welfare benefits if the programs are to parallel the occupational structure rather than the welfare structure.

Client Support

Economically disadvantaged clients need support for survival while they pursue education and training. Client support services should be administered by an agency other than the one providing the education and training. The mission of the client support agency should be to assure that economically disadvantaged persons have the resources needed to get into the mainstream educational system. Emphasis should also be placed on counseling activities to help the individual choose programs for which the labor market has job openings.

Agencies purchasing training services for disadvantaged clients should look to both public and private sources, using cost effectiveness, efficiency and applicability of the program to its client's needs as the criteria in determining from whom services should be purchased.

This agency should not set up and manage parallel systems of training programs but should seek to move the disadvantaged clients into mainstream institutions offering appropriate vocational programs.

This would eliminate the problem of segregating the poor and disabled into second-rate training programs which do not provide the kind of training that industry and business require for their employees. Support for participants should be less than the compensation they can hope to receive in an initial job upon completing training. Receipt of the training allowance should not be the reason training is pursued; rather the training allowance should be seen as aid to survive while one pursues desired vocational education and training, leading to a definite employment objective. Excessive allowance becomes a disincentive for seriously pursuing training and employment. Compensation (stipends) for trainees should be based upon the level of effort expended and actual achievement of progressive levels of competency.

Economic Development Initiatives

Federal initiatives can make a difference in the amount of job growth or decline in states or local communities. A substantial increase in a defense contract, the closing of a military base, the exploration and development of new energy sources and special tax breaks for employers locating in designated enterprise zones are examples of ways in which the federal government exercises great leverage on job growth or decline at the local level. The federal government must be aware of the impact that its actions will have on jobs at the local level and assist communities and states in planning for that impact.

An important goal of federal support can be to link training more closely to economic development initiatives. Support for research designed to improve the productive capacity of competitive industries is another important federal role. The same type of support which has been provided for research in agriculture can be applied in other basic industries with equally rewarding results.

Private Sector Initiatives

Federal efforts can encourage private sector employers to become as concerned with human capital development as they now are with capital formation for new plants and equipment. Increasingly workers are not likely to show up at the gates with more than the most basic occupational skills that employers need. As technology advances and as the supply of young workers declines, the imbalances will become even more serious and it will become increasingly important for employers to pay attention to human capital formation.

Through a variety of tax incentives, private employers can be encouraged to cooperate with public institutions in joint ventures that tie together in-school and on-the-job education. Cooperative efforts can open many new vistas into the real labor market for youth while giving them the experience, knowledge and confidence they will need to succeed in this market.

Meeting the need for larger numbers of advanced level workers actually mandates private sector cooperation. Institutions can provide the basic occupational-specific training but business and industry will need to be full partners in providing the additional two to four years of intensive on-the-job training linked to related instruction which will be necessary for an individual to qualify as a fully-skilled worker. Employers who are willing to participate in such training should receive credit for their role in helping workers complete the educational process.

Increasingly, education will need to continue even beyond this point. Existing workers will need a growing amount of retraining and upgrading assistance. As tax policies are formulated to encourage the building of new manufacturing plants and the employment of new technology, related incentives must be provided to employers to upgrade and retrain workers to operate efficiently in the new, modern plants. There should also be incentives for donating or sharing usable equipment with schools. These incentives should be coupled with incentives for individuals who work to upgrade their own capacity to produce.

Job Services

Providing occupational information, job placement and relocation assistance will become increasingly complex as industries become more diversified and technologically sophisticated. During the next decade we will see major shifts in employment demand with industries moving from one region of the nation to another, upgrading facilities and moving into new and expanding fields.

The federal government must provide a means to assist individuals in relocating to communities or industries with high job demands. We believe that the most effective approach is to improve state and local public employment services to meet the increased needs for placement assistance.

A Joint Effort

No one agency can or should provide all of these services. They require specialized expertise and long-term commitment. But it is equally true that none of these services can be provided in isolation.

There currently is too little incentive for coordination among agencies. Provisions in CETA to encourage cooperation have not been notably successful, except in states where leadership from the governor or the personalities of those involved has fostered coordination. Perhpas it is time to try financial incentives for cooperation, which can be withdrawn when cooperation breaks down.

V. VOCATIONAL EDUCATION'S POTENTIAL CONTRIBUTIONS TO EMPLOYMENT AND TRAINING GOALS

Vocational education is a wide array of stable, continuing programs which are expandable to meet society's needs. Vocational education is in place in every city in the nation, in virtually every high school and community college, in more than 2,000 vocational centers or schools, in many universities and in other specialized schools.

Vocational education responds principally to enrollments, because it is market oriented. No one is required to enroll, and if its programs do not meet the needs of youth and adults in the community, they will not enroll. As a result, the programs are being changed constantly, but the institution continues, ready to adapt to new circumstances.

Vocational education encompasses occupational instruction and work orientation, career awareness activities, and other types of employability preparation along with consumer and homemaking education. The National Center for Education Statistics reports that vocational education programs are currently preparing people for work in more than 300 occupational fields. These fields cover seven major ares: Trade and Industry, Agriculture, Business and Office, Marketing and Distributive Education, Technical, Health,and Consumer and Homemaking Education.

Because of its size, diversity and linkages to the nation's public education system and to the nation's employers, vocational education has the potential to play a key role in solving many of the pressing employment needs facing our nation today. In many cases, its potential has not yet been fully realized although certain exemplary efforts suggest what might be possible on a much broader scale.

We believe that there are six major national work-related problems which vocational education programs can and should address.

1. Shortage of Skilled Workers

Jobs in America increasingly are demanding a higher level of skills. In 1950, 34 percent of all jobs were available to young people entering the labor market without a high school diploma. By 1970, only eight percent of the jobs were open to the 26 percent of American youth with 11 years of school or less. In the future, that percentage will shrink even more.

Bidding among employers for skilled workers is high and those people who have the necessary skills can take their pick of jobs. On the other hand, individuals looking for work without skills are simply helping to swell unemployment statistics.

The tables on the following pages tell the story. They project the fastest growing jobs, the jobs with the most openings and the changes expected in employment by major occupational groups between 1978-1990. Through vocational education, an individual can prepare for 18 of the 26 fastest growing jobs and 22 of the 27 jobs with the greatest number of potential openings. These statistics show that during the 1980s we will need workers with specific occupational training, a mastery of basic skills and some technological knowledge and skills. Although job opportunities may grow faster than the labor force, unemployment will not decline unless new workers are properly prepared for the available jobs.

We hear increasingly that the job is not getting done. In a recent article in the American Technical Journal (April, 1980), D.R. MacDermott of Revere Copper and Brass Co. comments that apprenticeship is producing

Table 5

Fastest Growing Jobs, 1978-90

Occupation	Annual Openings
*Bank Clerks	45,000
Bank officers and financial managers	28,000
*Business machine repairers	4,200
City managers	350
*Computer service technicians	5,400
*Construction inspectors	2,200
*Dental assistants	11,000
*Dental hygienists	6,000
Dining room attendants and dishwashers	37,000
*Flight attendants	4,800
*Guards	70,000
Health service administrators	18,000
*Homemaker-home health aides	36,000
*Industrial machinery repairers	58,000
*Landscape architects	1,100
*Licensed practical nurses	60,000
*Lithographers	2,300
*Nursing aides, orderlies, and attendants	94,000
Occupational therapists	2,500
*Occupational therapy assistants	1,100
Physical therapists	2,700
Podiatrists	600
*Respiratory therapy workers	5,000
Speech pathologists and audiologists	3,900
*Teacher aides	26,000
*Travel agents	1,900

Note: For these occupations, employment in 1990 is projected to be at least 50 percent higher than it was in 1978.

Table 6

Jobs with the Most Openings, 1978-90

Occupation	Annual Openings
*Secretaries and stenographers	305,000
*Retail sales workers	226,000
*Building custodians	180,000
*Cashiers	119,000
*Bookkeeping workers	96,000
*Nursing aides, orderlies, and attendants	94,000
*Cooks and chefs	86,000
Kindergarten and elementary teachers	86,000
*Registered nurses	85,000
*Assemblers	77,000
*Waiters and waitresses	70,000
*Guards	70,000
*Blue-collar worker/supervisors	69,000
*Local truck drivers	64,000
*Accountants	61,000
*Licensed practical nurses	60,000
*Typists	59,000
*Carpenters	58,000
*Industrial machinery repairers	58,000
Real estate agents and brokers	50,000
*Construction laborers	49,000
Engineers	46,500
*Bank clerks	45,000
Private household workers	45,000
*Receptionists	41,000
*Wholesale trade sales workers	40,000

Note: Replacement needs and growth are projected to cause these occupations to offer the largest numbers of openings. Competition for openings will vary by occupation.

*Starred items indicate fields in which vocational education is available.

Source: Occupational Outlook Quarterly, Spring, 1980.

Table 7

Projected Change in Employment by Major Occupational Group, 1978-90
(in thousands)

Occupational Group	Employment			Openings		
	1978	Projected 1990	Percent Change[1]	Total	Growth	Replacements[2]
White-collar workers	47,205	58,400	23.6	36,800	11,200	25,600
Professional and technical workers	14,245	16,900	18.3	8,300	2,600	5,700
Managers and administrators, except farm	10,105	12,200	20.8	7,100	2,100	5,000
Sales workers	5,951	7,600	27.7	4,800	1,700	3,100
Clerical workers	16,904	21,700	28.4	16,600	4,800	11,800
Blue collar workers	31,531	36,600	16.1	16,200	5,100	11,100
Craft workers	12,386	14,900	20.0	7,000	2,500	4,500
Operatives except transport	10,875	12,500	15.0	5,600	1,600	4,000
Transport operatives	3,541	4,100	16.2	1,700	600	100
Nonfarm laborers	4,729	5,100	8.1	2,000	400	600
Service workers	12,839	16,700	29.9	12,200	3,800	8,400
Private household workers	1,162	900	-23.2	500	-300	800
Other service workers	11,677	15,800	35.2	11,700	4,100	7,600
Farm workers	2,798	2,400	-15.9	1,300	-400	1,700
Total	94,373	114,000	20.8	66,400	19,600	46,800

[1] Calculated from unrounded figures

[2] Due to deaths, retirements, and other separations from the labor force. Does not include transfers out of occupations

Source: Occupational Outlook Quarterly, Spring, 1980

The U. S. Department of Labor estimates that there will be an average of 5.5 million job openings annually through 1990. Nearly 20 million jobs will be new and the remaining openings will be replacements. Some shifts in vocational education enrollment patterns will be required to assure that program completers will be trained in areas of demand. Often change is slow because it is cheaper to continue out-of-date programs than to close them and open new ones; new vocational programs require new capital investment. Yet it is in the nation's interest to have workers prepared in fields where there are opportunities for employment.

only a small portion of the skilled toolmakers, patternmakers, machinists and other crafts people needed. He noted:

> The final crack in the foundation of our existence comes with the realization that the vast bulk of the highly skilled craftsmen in industry today are those who entered our factories just after World War II. The youngest are in their early 50s. They have begun to retire; and, within the next decade, aging alone will take from use between a half and two-thirds of our best mechanics.

In a new study, "Science and Engineering in the 1980's and Beyond: A Report to the President," the National Science Foundation warns that the U.S. faces immediate shortages of engineers and computer professionals. Yet, the report notes, there is a trend "toward virtual scientific and technological illiteracy" and a declining emphasis on math and science in the schools from which the nation's technical workers can be drawn.

Vocational education must take a key role in meeting the need for more highly skilled workers. Yet we feel there are some major policy issues which must be addressed if the potential of vocational education to train skilled workers is to be realized.

Long-Term Training. Intensive, long-term training is needed to prepare people for advanced-level employment. The past focus only on short-term training has been a deterrent in preparing the skilled workers that many industries need. Long-term training programs should include follow-through training of two-to-four years following entry into employment.

Hard-to-Find Jobs. Available resources must be devoted to preparing workers for jobs identified as critical and hard-to-fill. This focus must include helping vocational education expand its ability to mount special "quick-start" vocational programs to respond to critical needs in the community.

Employee Upgrading and Retraining. Vocational education must serve the needs of businesses, and industries especially small employers which do not have an in-house capability for upgrading or retraining of their workers. New legislation should provide the mechanism for vocational education institutions to offer tailor-made, in-plant programs for retraining employees.

Keeping Programs in Tune with Business and Industry. States and local communities need assistance to update current programs and develop new ones to allow vocational education to keep pace with changes in business and industry that affect current and projected employment demands.

Expediting the Application of Technical Knowledge by Workers. Our nation must shorten the time between the development of new knowledge and its adoption by workers. Vocational education can be the catalyst for such transfer.

Raising the Technological Literacy of Vocational Graduates. Support is needed for conducting programs designed to improve the scientific and technological literacy of teachers in selected vocational education programs to enable them to prepare students better for life in a more highly technical society.

Expanding Apprenticeship Programs. Vocational education must work more closely with trade and craft unions in expanding apprenticeship activities.

One mechanism for achieving this goal would be to encourage each state to appoint an apprenticeship coordinator to work with vocational education and apprenticeship personnel at the local level to encourage joint efforts to prepare new workers.

National Defense Efforts

The country's military strength cannot be measured in weapons, ships and airplanes alone. Its strength also comes from the workers who make the defense system function: men and women who serve in the armed forces, civilians who keep their operations running, and defense industries which prepare the tools and equipment needed by the military.

While Congress is committing billions of dollars over the next five years for the nation's defense, it is doubtful that much of the money can be spent. There are just not enough skilled people in the work force to make all the weaponry and build the ships and aircraft needed by the military. The Undersecretary of Defense for research and engineering reported that personnel shortages are a pervasive problem in the U.S. defense industries. There are shortages in the number of skilled production workers, machinists, electronics technicians, tool and die makers, test technicians, optical personnel and skilled assemblers. The ability of the industry to respond to defense needs has deteriorated, and a major reason is the lack of skilled workers, the Undersecretary said. Many of the defense industries are facing backlogs of more than a year at today's production levels, reports the National Tooling and Machining Association. "Expand the current level of Department of Defense expenditures, and the problem will become worse," the machining association said.

To compound the problems, private sector employers are raiding the military services for skilled technicians. The armed forces are finding that they cannot maintain their equipment because they have lost their skilled workers to private industry.

These problems are critical, but the vocational educators in this nation want to devote all their skills and resources to solving them.

Vocational educational institutions have proven that they can take charge and meet the country's demand for a quick buildup in the defense industries. During World War II, an all out "Training for Victory" program was organized through the vocational education system. Over a five-year period, approximately 7.5 million persons were trained through vocational education for employment in defense-related industries. Training was offered 24 hours a day at 10,000 urban and rural vocational schools. Congress appropriated $326 million for this training over a five-year period.

This network of vocational education institutions is in place today, and the system is even stronger and more well-equipped than it was in the 1940s. Vocational education can make an even greater contribution to the nation's defense preparedness if it is given a clear charge and the necessary resources.

Some of the ways that the vocational education system can mobilize to help meet the nation's defense needs are:

Providing education and training for military personnel. In the past the military has contracted with business and industry and other profit-making organizations to provide training for military personnel. This sometimes resulted in poor quality training offered by the "lowest bidder." Today the military is looking to nonprofit vocational education institutions to provide needed training. For example, the Navy is contracting with four public technical schools to provide training for aviation technicians, clerical employees and ship technicians. The State Technical Institute at Memphis trains more than 25,000 members of the Navy each year at the Naval Air Technical Training Center, located in Millington, Tennessee. The state vocational institute offers training on the base in such subjects as aircraft mechanics, jet engines, electronics, air traffic control and jobs-oriented basic skills. The technical institute teaches all the basic information and technical principles, then the Navy takes over for instruction on the specifics of their equipment.

Providing preparatory and upgrading training for civilian employees of the military. Many of the important functions of the defense effort are handled by civilian employees at military bases and government offices. Vocational education programs can be used to improve the vocational skills of these staff people. For example, the State Department of Vocational Technical Education in Oklahoma has set up a training school at the Tinker Air Force Base. After many civilian employees are hired at the base, their first assignment is to go to the vocational training center. Training is offered for jet mechanics, typists, sheet metal workers, welders, machinists and others. After employees have worked at the base for a period of time, then upgrading training and apprenticeship related instruction is provided by the vocational educators. The state vocational education curriculum center develops the course curricula with the assistance of the experts at the air force base.

Training high school students for technical jobs that will be available in the military. Vocational education schools can prepare students with the technical skills they will need to get good jobs in the military. The Des Moines Technical High School in Des Moines, Iowa is a good example. It offers high school students programs in aviation and air frame and power plant mechanics. These are high quality programs which are registered by the FAA. About one-third of the students graduating from the aviation program join the military right after high school.

Providing customized training for skilled workers in expanding defense industries. Vocational education already is offering specially designed training for employees at defense industries, and more training efforts could be initiated with adequate resources. Over the past 10 years approximately 10,000 skilled craftworkers have been trained through vocational education for work at a shipyard in Pascagoula, Mississippi which builds military ships. Welders, shipfitters and all types of skilled craftworkers received training at regular vocational facilities and at the shipyard site of the Ingels Shipbuilding Corporation, a division of Litton Industries. The states's vocational education program supports 20 instructors who work full-time at the shipyard providing training for employees.

The customized training program helps both the employer and employees. Ingels Shipbuilding hires skilled employees, and the employees get good jobs and the opportunity to gain experience. With experience under their belts, the skilled craftworkers have the flexibility to change jobs and continue to move up the career ladder. The highly skilled work force also helps to attract other industries to the area, increasing the economic development of the community.

By strengthening cooperation between vocational education and the military, the nation can raise the productive capacity of its citizens and meet the critical needs of the military and defense-related industries. We recommend that the following actions be taken to strengthen the vocational education-military connection.

1. The military should provide advanced rank and pay to persons who have completed secondary and postsecondary vocational education and

have demonstrated competencies in job fields where the military has a work force shortage.

2. The federal government should encourage structured cooperation between vocational education and the military in assessing which areas of the country will have the greatest expansion of defense industries and what skilled workers will be in short supply.

3. Congress should authorize grants to the state boards of vocational education to allow them to carry out the following activities:

- Initiate quick-start training programs for defense-related industries.
- Purchase or lease facilities and equipment in order to expand the availability and upgrade the quality of vocational programs that prepare workers to meet the needs of the military and defense industries.
- Develop curriculum materials for these programs.
- Recruit students and teachers for these programs
- Provide for extended daily operations for vocational education institutions to allow them to offer training for military and defense industry personnel.

Depressed Communities

The number of large cities and rural areas that are economically depressed is a major national problem. While these depressed conditions have resulted in part from such business-related reasons as aging industrial plants that are no longer competitive and the flight of businesses to more attractive settings, a major cause is the high numbers of unskilled workers in the labor markets of these cities and towns.

With a poorly trained local workforce, existing businesses and industries cannot increase their productivity and profits. New industries do not want to move into these depressed communities, because they know they will not be able to hire highly-skilled employees. This results in economic stagnation in many urban and rural areas.

Some large industries can afford to set up an internal instruction program to train employees, but other employers bail out, moving to areas where there is a more highly trained workforce. Small companies which provide the bulk of new jobs in America are especially hard hit by manpower shortages, because they do not have the capacity to do in-house job training.

While public vocational institutions should be stepping in to provide the training needed by employees of these companies, data show that the communities with the greatest needs have the least capacity to provide employment related education and training. Central cities with a metropolitan population over 500,000 have only 10.6 percent of secondary vocational training stations and 13.3 percent of postsecondary training stations, but they have 22.8 percent of the population. Towns or regions under 25,000 have only 6.7 percent of the postsecondary training stations but 23.6 percent of the population.

Federal training programs offered through CETA have focused on short-term approaches to meet immediate needs of individuals. CETA funds have not been invested in the construction of permanent training facilities at institutions that will continue to operate with local and state support long after special programs have ended. So while federal funds have gone into depressed communities in large amounts through CETA, no permanent training structure has remained.

The federal investment in vocational education has declined over the last 15 years, causing the establishment of modern vocational education training stations to lag. Only 13.7 percent of new secondary vocational education facilities and 15.5 percent of postsecondary facilities were constructed during 1967-76 in central cities and suburbs with populations over 500,000, but those areas have 60.8 percent of the population. Only 9.7 percent of the postsecondary vocational education construction projects were initiated in rural areas under 25,000 in population during that time period, but 23.6 percent of the population live in those rural areas.

It is time for the nation to adopt strategies for strengthening the long-term capacity of depressed communities to provide work-related education and training for youth, adults and employers. This is critical for economic growth of these communities and for giving individuals an opportunity for fulfilling work and a chance to move up the career ladder.

Some recommendations for accomplishing this are as follows:

1. Improve institutional capacity. Assist local communities to build and equip facilities for the training of workers needed by business and industry in depressed communities. Renovation also is needed for existing facilities, and instructional equipment must be updated.

Employers can be involved in the planning of these new and renovated facilities through active involvement in local vocational education advisory committees.

2. Expand customized training. Expansion is needed in vocational training that is custom-designed to train employees for jobs in existing, expanding or new industries located in depressed communities.

3. Strengthen existing programs which integrate disadvantaged students in regular vocational classes. Rather than setting up special programs that are only offered for disadvantaged persons in depressed communities, it would be more productive to strengthen existing vocational education offerings in which disadvantaged persons can be enrolled. Additional services can be provided through regular training programs to help the disadvantaged, including the use of instructional aides, guidance services and tutoring in basic skill areas.

4. Target out-of-school youth and adults. Special outreach efforts are needed in depressed communities to locate out-of-school youth and unemployed and underemployed adults who could benefit from vocational training. These persons may need extra assistance and services such as work assessment, counseling, child care and health care. All agencies that provide human services can work together to help these persons to become employable.

5. Develop additional work site training stations. Through collaboration by educators, employers and labor leaders, more training should take place at work sites. This can be provided through secondary and postsecondary cooperative education programs, apprenticeship programs and on-the-job training for adults. This strategy is especially important in depressed rural communities, where there may not be enough available positions in any one vocational field to justify an entire class.

6. Improve vocational education staff. Efforts are needed to improve the capabilities of vocational instructional and counseling staffs in depressed communities. They need to learn how to deal with learning problems encountered by some disadvantaged students, as well as psychological strategies to movivate students to attend class and to succeed. Efforts also should be made in many communities to recruit and train minority instructors.

Adult Employment Services

Much of the concern over unemployment in recent years has focused on the problems of youth. But a careful analysis of unemployment statistics for 1980 reveals a serious new unemployment crisis for adults. The unemployment rate for adult men rose by a much greater percentage than did the unemployment rates for women and teenagers, from 4.4 percent to 6.3 percent. Automobile and construction layoffs accounted for nearly two-fifths of the decline in employment from February to June 1980, according to information from the Department of Labor.

At the same time, the duration of unemployment lengthened significantly. In the last quarter of 1979, only 8.5 percent of the unemployed had been without jobs for 27 weeks or more. By the last quarter of 1980, this figure had grown to 14 percent. The implication is that a larger proportion of unemployed workers were unaccustomed to moving into new areas of work. Unlike unskilled workers, persons who have done skilled work for a considerable period of time in specific occupational areas do not move easily to new jobs.

This rise in adult unemployment is directly related to recent changes in energy and capital markets. Some of the industries experiencing intense change are large and highly visible regional employers. There is no easy way to absorb the closing of a steel plant or an automobile factory that happens to be the sole employer in the locality.

The changing composition of the labor force must also be considered. During the next decade, the generation entering the work force will be considerably smaller than the group which began work in the 1960's and 1970's. The Bureau of Labor Statistics projects that labor force growth will average only 1.3 percent per year during the 1980's. The work force of the coming decade will rely more heavily on older workers. In the past, shifts in the demand for labor by region, industry and occupation have been met by young workers who are just beginning their careers. Firms are traditionally less interested in absorbing the costs of training older workers for new careers.

Many of the problems created by an older workforce and rapidly changing workplace demands can be addressed through vocational education programs.

In its recommendations concerning reauthorization of the Vocational Education Act, the American Vocational Association is calling for a legislative provision establishing a new Adult Employment Training Service. Through this service, vocational education would give priority emphasis to the needs of displaced workers and unemployed adults and workers in industries experiencing revitalization or technological change and workers in defense-related industries.

This service could provide short-term upgrading, updating and retraining to adults and customized training for new and expanding industries, for hard-to-fill community jobs and for established employers who need assistance in helping their workers cope with changing technology and work requirements.

Such a service can help the labor force be more productive and can serve to strengthen linkages with the private sector and with other public and private training systems.

Training At-Risk Youth

Unemployment of disadvantaged youth has emerged during the past decade as one of the nation's most critical problems. In the 1980's there will be even fewer jobs for young people who are poorly prepared or who have not completed high school. The threat of unemployment also faces students with handicapping conditions, who make up 12 percent of school-age Americans.

Both disadvantaged and handicapped students must have extra attention and services to achieve success through employment-related education and training. Students from both groups need vocational training in simulated working conditions, integrated patterns of on-the-job training and related classroom instruction, and special services to help them overcome problems and become self-sufficient.

Guidance programs that open up all options to disadvantaged students are critical, and good counseling can help minority students to overcome stereotypes and pursue many options for moving up the career ladder. The Bureau of Labor Statistics has found that blacks and hispanics are underrepresented in the higher skilled, technical and white-collar occupations and are overrepresented in traditional service occupations. Choice of career fields is one factor that causes earnings for blacks and hispanics to be consistently lower than that of whites. Minority students comprise about 25 percent of vocational education enrollment, but they are underrepresented in selected vocational programs and overrepresented in others.

The earning power of minority females can be increased by encouraging them to enroll in nontraditional vocational training programs. The Department of Labor reports that women earn $63 for every $100 earned by men, a problem that is compounded for minority women. Vocational education can play an important role in making all women students aware of their many career options and informing women about potential high salaries in nontraditional fields. Changes in American policy and practice are needed that would equalize the income of the sexes, including greater pay for traditional female work, an increase of female employment in higher paying traditionally male jobs, and expansion of women into new high technology and information processing jobs.

To increase vocational education's potential in serving at-risk youth and achieving equity, the following actions are necessary:

1. Federal incentives are needed for major reforms in vocational education to spur more effective services for at-risk youth. Extra services that are needed include outreach efforts to identify targeted individuals, vocational assessment, career planning and guidance services, information services on nontraditional careers, supplemental related instruction to help students to succeed, expansion of open entry-open exit programs, greater use of the community as a learning resource, expansion of the school day and school year, and programs to improve the basic skill achievement of youth.

2. Vocational educators must assume a more assertive role in "rescuing" youth who have left school and are unemployed. These needy youth cannot only be the purview of the social service agencies. Vocational educators must assume responsibility for identifying these youth and providing whatever services are needed to train them for employment.

Both secondary and postsecondary institutions must take over this important function. Programs offered to these at-risk youth should include the development of job competencies, basic survival skills needed to obtain employment, awareness of how to develop job stability and enhance job advancement, and positive work attitudes.

3. Federal policies and programs should provide the resources and incentives for state education agencies to take the leadership role in serving at-risk youth. State vocational education staff must be prepared to respond to requests for assistance from local education agencies which are mounting new efforts to rescue unemployed youth.

4. Additional support is needed to strengthen the assistance provided to students in the transition from school to work. It is essential that sufficient resources be made available to provide the extra services that will enable disadvantaged and handicapped youth to succeed in vocational education programs.

VI. TOWARD A POLICY AND LEGISLATIVE STRUCTURE FOR THE EMPLOYMENT-RELATED EDUCATION AND TRAINING COMPONENT

Vocational education can play an important role in helping to achieve the nation's employment and training objectives. In this testimony, we have attempted to suggest what this role can be and how it fits into the overall policy.

Since the reauthorization of the vocational education legislation will be taking place within the same time frame as the reauthorization of employment and training legislation, we are urging that the reauthorization of the vocational education legislation be shaped so that it can become the vocational education initiative under the broader employment and training program.

We believe that there are real advantages in such an approach. Among the advantages are the following.

An Existing Program

As we have shown today, vocational education is a decentralized set of diverse programs that are delivered through both specialized and comprehensive institutions at the secondary, postsecondary and adult level. It is by far the largest, most effective and most efficient of the different systems of employment-related education and training programs, and the only one in which states and local governments make the major investment.

It has the confidence and support of local taxpayers and a 60-year track record of providing long- and short-term preparation for work which is based upon individual and community circumstances. It is an integral part of community economic development in more than half the states. And, by its breadth, accumulated know-how and integration into communities, it offers a way to unify employment-related education and training programs to eliminate the duplication and fragmentation that now exists.

Partnership of Governments

Vocational education offers a way to restore a true partnership of federal, state and local governments in employment-related education and training. Federal funding should go to programs that local communities need and are willing to support with their local and state tax dollars. The immediate impact of an unprepared workforce is felt in local communities. Local vocational education programs are in the best place and have the best chance of success in correcting the mismatch between people and jobs.

Economic Development Linkages

Vocational education is an integral part of economic development. It can be a major factor in the economic growth and development of our nation. Vocational education should be tied into all economic policy programs and all operating mechanisms for achieving our policy goals.

Mainstream Program

Minorities, the disadvantaged, displaced workers and other needy groups should be served within programs of vocational education. Segregated ad hoc programs are more an act of charity than a means of developing dignity and the competence to be self-sufficient.

Purpose of Federal Legislation

Comprehensive federal legislation for vocational education must enable the federal government to cooperate with the states in improving and expanding quality employment-related education and training that will contribute to economic stability. The legislation should encourage states to accept their constitutional responsibilities for such programs, and should reduce administrative fragmentation and duplication by bringing all levels of employment-related education and training together at the state level under a sole state board of vocational education that is designated by state statute.

Federal Priorities

Federal funds should be directed toward the priorities of quality, accessibility, equality of opportunity and collaboration with other groups.

> QUALITY. A major priority would be to keep existing vocational education programs current with changing requirements of the work setting. Particular emphasis would be given to those new worker competencies required as a result of industry revitalization, new inventions and technology, and new approaches to energy conservation and generation. Excellence would be stressed by encouraging local initiative in adopting or adapting the practices and products that offer potential for raising the scientific and technological literacy and productive capacity of vocational students. Reform will be sought by encouraging more effective and efficient ways for vocational education to address appropriate social and economic concerns.
>
> ACCESS. A priority for the expenditure of federal funds will be to expand the long-term capacity, especially in depressed areas, to provide youth and adults access to quality programs of vocational education. (1) pay start-up cost of extending new or existing programs; (2) mount new programs with a particular emphasis given to high-technology areas; and (3) close out programs no longer needed.
>
> EQUALITY OF OPPORTUNITY. Providing individually tailored special services to enable certain individuals to participate in and succeed through vocational education is a national priority. Special services are needed to aid those individuals who are educationally, economically and physicially disadvantaged to successfully enter, complete and make the transition into a job. Overcoming the effects of

discrimination on the basis of sex, race and geographic location also requires special services. Such services enable persons previously discriminated against the opportunity to choose and successfully participate in the full range of vocational education programs.

COLLABORATION. A priority for the reauthorized vocational education law is to encourage collaboration of vocational educators with other agencies and institutions involved in employment-related education and training. Collaborative efforts would be aimed at extending resources to provide services to additional persons, improving the quality of services rendered, improving outcomes and increasing the impact of vocational education on selected national economic and social concerns.

Program Activities Needed To Achieve National Priorities

Emphasis on the following six program activities will be essential if the suggested legislative intent is to be achieved.

- A basic state grant should be to extend, expand, and improve vocational education programs in keeping with changing work requirements, successful practices and assessed needs of the populations served.
- Special assistance should go to depressed urban and rural areas to develop, maintain and improve their long-term capacity to provide employment and work-related education services to youth, adults and employers as a means of bolstering economic growth.
- There should be provisions for providing extra services as needed for special populations in order to increase access and improve the probability of successful program completion and transition into employment.
- Federal legislation should provide a broad spectrum of services for adults, including short-term upgrading, updating and retraining to enable them to adjust to changing work requirements. Programs should include customized, in-plant training in changing or new technologies and quick-start, customized

training for new and expanding industries to train workers for hard-to-fill jobs.

- Continuation of consumer and homemaking education for the purpose of preparing males and females for the occupation of homemaking.
- Finally, federal legislation should include an investment in the development of new knowledge and of more effective and efficient ways to link vocational education with national priorities.

SUMMARY

Given the mandate of policy and the funds to follow through, vocational education can be a broad system that effectively addresses all of the employment-related educational needs of our nation. It can provide the foundation for a true partnership of national, state and local interests in providing the vocational and training component for a national employment and training policy.

Senator QUAYLE. Thank you very much. Let me pick up where you left off. Are you suggesting that perhaps we can have some consolidation with the vocational education programs, our training programs, and our employment services programs? I asked that question of the last panel. I pose the same question to you and ask your response.

Mr. BOTTOMS. I am suggesting that the vocational education base that exists in local communities throughout this Nation does provide a foundation on which one might begin to build the training component. Exactly how one would begin to frame that and locate that in an umbrella piece of legislation of employment training, we would have to sort through. But I have tried to say in my testimony we are willing to take that step in that direction to work through and join in a dialog to see if we can figure out how to make that happen without weakening the system that is already there.

Senator QUAYLE. Do you think that consolidation would tend to weaken the system or strengthen the system of these various programs? I can give you my opinion. I think it might tend to strengthen some of the efficiency, go at the root causes instead of having them spread out. Right now it is three different very comprehensive programs and agencies. Consolidation may be helpful, particularly a consolidation that ultimately injects decentralization.

Mr. BOTTOMS. It is very difficult to respond pro or con to the question just in terms of generalizations. I think, as I stated earlier, a willingness to begin to see how this dimension could be the foundation for the broader training initiative that is needed and how it could be worked in as a part of a broader piece of legislation. At this stage I find it difficult to respond pro or con to the question you are raising.

Mr. **Carr**. Senator, maybe I could address a local situation. I am Harold Carr from Great Oaks Joint Vocational School District, southwest Ohio.

We have a model CETA employment service vocational delivery system in place. It was developed primarily because of the overlapping services. What we have there we have combined into a new facility called a center for employment resources, brought all community agencies together, welfare, legal aid, employment service, CETA. Under contract then we handle all of the CETA functions and the employment and placement functions up to the employment service role. This has been very effective. We have people now who are seeking it out and not being identified through the CETA process but are seeking the service on their own. It has been very effective. It is truly an effective model of combined services.

Senator **Quayle**. Do you feel that the lack of the skilled personnel that we have in this country is a lack of education? Is it a lack of training? Where would you draw the line? The industrial capacity, whether it is military or nonmilitary, is faltering in the productivity aspect because of the shortage that we apparently have in skilled personnel. I am trying to find out where some of the responsibility ought to fall, if you have any thoughts on that.

Mr. **Bottoms**. Senator, just let me make a comparison. West Germany has one out of every two 17- and 18-year-old youth enrolled in joint voc-ed apprenticeship kinds of programs. In this Nation we have one out of every four 17- and 18-year-old youth enrolled in occupational specific vocational education. The USSR claims to have close to 90 percent of their secondary youth enrolled in 8 to 10 hours of vocational instruction each week.

I suggest that, when you have a major city that turns away 15,000 youth a year, we may have not fully provided the means to develop the capacity of youth of that middle range of skilled jobs that we have in this Nation.

Senator **Quayle**. How would you suggest, with the exception of money—and I know money is the blood line—suggest to get the attention of the constituency that we really do have this problem? And perhaps vocational education, technical education is a preferable route to take for some of our young people rather than the apparent peer pressure there is just to get that standard 4-year college degree. Is there any way we could pursue this? I tend to agree with you that we really have an educational problem here. In our educational system today the attitude is: you have got to go on to college. We have a surplus of Ph. D.'s. We have a surplus of the so-called educated in the area of liberal arts; but we have a tremendous shortfall of people in the skilled areas. I wonder if you might have any comments on that.

Mr. **Bottoms**. I would have a number of comments. I am not sure that they will—one of the things I was suggesting, Senator, that a Federal initiative might well be, and it is not in terms of large amounts of resources, but as a dimension to education program, some Federal initiative that focuses on keeping this program of quality. I suggested that this is a field that we need badly to upgrade the scientific and technical literacy basis of a lot of our programs, both at the secondary and postsecondary level. It is an area where we need to move into some of the new high technology areas that will not be provided by the private sector because of their high costs and the capital investment in equipment. They are just not going to turn it over and let it be used for training purposes.

It seems to me that, once you state as a—to encourage State and local communities to give a quality emphasis to this dimension, then you create an importance that makes this much more important to focus at the local level. But I would that the specialized vo-tech school, be it secondary or postsecondary or a component of a community college, is not the institution or program suffering from enrollment. Their enrollment in most instances has continued to go up while secondary and intermediate-age enrollment has in fact gone down.

One emphasis I would encourage would be one on the quality element, to keep the program viewed as mainstream and serving folks from all socioeconomic levels who have that as a goal.

Senator QUAYLE. What about the quality element of a student that is entering vocational education? Is that improving, staying about the same? Where do you stand today?

Mr. BOTTOMS. Senator, I will answer it this way. Then these two folks from the firing line can tell you what it is really like. I will tell you the answer I like to give in Washington.

Eight or ten percent of the students that would be enrolled in secondary voc-ed will be in the upper 25 percent of your senior class. Thirty-five percent would be from the lower 25 percent of the class. About 30 percent of the students we have in secondary vocational education come to us with very limited basic skills. We have not had—if we could have gotten some of those youth dollars to use to expand the school day and teach basic skills in relationship to the occupational areas, we could have raised some individuals' productive capacity in the workplace.

The other groups of students come from the other two levels, the middle level. So, that is kind of the breakdown of students at the secondary level. It would vary somewhat at the postsecondary, with it being more even across the different levels.

We found that, if you could increase the amount of time we devote to those in the lower 25 percent, we can increase placement rate in the field and reduce the unemployment rate. You never match what you do for the upper 25.

Senator QUAYLE. When you talk about limited basic skills, what are you specifically referring to?

Mr. BOTTOMS. I mean that they come and they cannot read an automotive manuel.

Senator QUAYLE. Reading, writing, and arithmetic.

Mr. BOTTOMS. And they cannot calculate fractions in the machine shop. They lack an understanding of the basic principles of physics that may have to be applied in a particular field.

It takes more time to teach those additional skills. The only way I know to get at that is to stretch time. Sometimes we would be better off to keep these institutions open for some students 12 months of the year so we in fact can. There is a whole history of evidence that the 12-month school year, particularly for this group of students, produces great achievement in helping them overcome some of those basic literacy skills that are critical to an occupational area. But, sometimes to motivate many of these youth, they have to see a connection between those skills and an occupational goal. That literally means either a different staffing approach or a complete revamping of the secondary curriculum in some ways.

Senator **Quayle**. Yes, it looks like there would be two approaches. You could expand the time, which would give more time to basic skills. Or you could revamp the curriculums to focus on and emphasize basic skills such as reading. I think this is one of the criticisms that is fairly universal of some of our public education systems, that it has not focused on this, that it has gotten away from it. It has a definite impact on the productivity of this country. You have just underscored that.

Mr. **Fields**. I see students coming to me a little bit more career directed than they used to be. In all honesty, I sometimes believe our secondary-level students of 17 and 18 are more realistic about what this world is going to expect from them than either their parents or their teachers. They do come to us with a basic skill absence. They do come to us unmotivated. Maybe nobody has ever said: ultimately, young men and young women, you will have to work in this world; you will have to earn a living in this world; you will have to know how to read and write and compute to do that. I do not think we tell them about the inevitability of productive work very often. They wait until they are 16 or 17 and reality hits them in the face. Then they will sit there, and they will learn the math necessary; however, we steal time to teach it. We steal it from the time we should be preparing them with the technical skills that would allow them to advance much faster in productive employment.

We have good students. We have students that attend. We have successes and we have failures. We spend all of our time in vocational education preparing people for productive employment and telling them that it is good to work. People have every right to be dignified in any job that they have. I know of no other segment of public education that does it. I think it is important both for the human development of those individuals, the economic resources of this Nation, and ultimately whether we live or die in this world economy.

Senator **Quayle**. Do you find that you have to spend more time now on redoing or reteaching some of the basic skills such as mathematics, such as reading, such as things that they should have absorbed during their education, at 17 or 18 or whatever age they go into voc-ed?

Mr. **Fields**. Yes, but we have also found that, when we relate that necessity to an area of vocational education that they are interested in, that their progress rate is much more rapid than it has been in the past. When we give them a reason, they learn. Very few of them are not capable of learning.

Mr. **Bottoms**. Senator, there is another answer to that question also. When I finished high school 25 years ago in my home State 30 percent of the jobs were unskilled. We did not have many of those students in the voc-ed program then because there were plenty of jobs for folks with strong backs. The last time I looked, the number of unskilled jobs was below 8 percent in my home State. We really are reaching for a group of students that we have never served in public education. It used to be there were jobs to chop the cotton and pull the peanuts and other kinds of things that did not require much education. The requirements of the workplace keep shifting. It is not that it has gotten worse. It is simply that we are reaching down to bring up a group of individuals that up to this point we did not address.

Senator QUAYLE. I thank you all very much. As you have known in the past, I have always been a very strong supporter of vocational education.

Mr. BOTTOMS. We appreciate that, Mr. Chairman.

Senator QUAYLE. I will continue to be. Good luck. Thank you for working with us. Thanks for making the trip.

Next is a panel: Lynda Hart, William Johnson, Michael Cunningham, and Timothy Grippen.

STATEMENT OF WILLIAM A. JOHNSON, JR., CHAIRMAN, NEW YORK STATE EMPLOYMENT AND TRAINING COUNCIL, ACCOMPANIED BY MICHAEL CUNNINGHAM, SETC STAFF DIRECTOR, AND TIMOTHY GRIPPEN, SETC PROGRAM ANALYST

Mr. JOHNSON. Thank you, Senator. I would also like to thank Ms. Hart for allowing me to go first so I could catch a plane.

I am William Johnson, chairman of the New York State Employment and Training Council. I would like to thank you for affording us this opportunity to testify before the subcommittee today concerning employment and training policy issues. Accompanying me are Mr. Michael Cunningham, SETC staff director, and Mr. Timothy Grippen, SETC program analyst and former president of the New York State Association of CETA Administrators.

The New York State Employment and Training Council was established pursuant to the mandates of the Comprehensive Employment and Training Act and is primarily responsible for providing our Governor, Hugh L. Carey, with broad-based input regarding the extent to which the employment and training delivery system is meeting the needs of the citizens of New York State. We also seek to increase coordination within the complex network of employment and training providers. As an outgrowth of our experience in the employment and training arena and of our concern about the future direction of Federal employment and training policy, we share the subcommittee's desire to insure that appropriate legislation action is taken in response to the expiration of the CETA authorization.

To provide a framework for examination of employment and training policy, the subcommittee has set forth a broad range of issues it wishes to examine. We commend the chairman and the subcommittee for their forthrightness in providing this forum for consideration of these critical issues. We are cognizant that the combined efforts of many entities will be required to improve the employment and training system to insure that it is simultaneously cost-effective and responsive to human needs. We do not believe these goals are mutually exclusive, and we pledge ourselves to work with you in this endeavor.

In the interest of time, we will focus on selected issues. Our written testimony addresses each issue raised by this panel.

To perceive properly the objectives of employment and training policy, these objectives must first be clearly distinguished from another set of closely related objectives: those of the educational system. These skills can be grouped under three categories. One is adaptive skills, including the work ethic and responsibility for one's action. Next is fundamental skills such as reading comprehension skills and numerical computation skills. Finally is specific occupational content skills, which provides students with skills necessary for particular jobs.

The objectives appropriate to an employment and training policy complement those discussed above but are distinct in purpose from them. Thus, the ultimate objective of any employment and training policy is to provide a labor exchange mechanism that identifies appropriate jobs for individuals seeking employment and provides prospective employers with qualified candidates.

The other necessary objective of an employment and training policy should be to provide a variety of essential remedial services in order to alleviate job-related inequities as they occur in the labor market. Clearly, if an employment and training policy is to fulfill successfully its primary purpose, it must deal with these inequities as they affect the labor exchange process. Moreover, to the extent that employment and training policy achieves these ends, it will also fulfill the objective of rectifying unacceptable levels of employment on a national basis, in particular geographic areas, and among specific population segments.

However, the onus for the resolution of the myriad related problems should not fall solely on the employment and training system but should be borne by all those involved—the private sector, labor, government, and education—because the decisions and activities of each of these groups cannot help but affect the total employment picture. Notwithstanding, the employment and training system can and will play a major role in the resolution of these problems due to its ability to coordinate and focus its resources.

The development of a national employment and training policy is intimately related to the larger issue of economy development and recovery since true economic recovery and future growth depends upon the rejuvenation of business, the preparation of adequately trained employees, and the reduction of the dependency of able citizens on public assistance.

Next I would like to turn to the role of the States and the employment and training councils.

The State role in the employment and training system has fostered greater coordination and promoted a high level of innovation. Under the current structure, States are provided with a percentage of employment and training resources through the Governor's special grants to carry out these functions. As you are aware, State employment and training councils are also funded by Governor's grant resources and are mandated to review the adequacy and effectiveness of statewide employment and training services and to coordinate the delivery of these services.

In New York State, program operation has been a major feature of the Governor's grant. Moreover, the New York State Employment and Training Council is rapidly taking the lead in improving statewide planning and coordination and providing extensive training and technical assistance to employment and training service providers throughout the State. We strongly recommend that the subcommittee strengthen these functions at the State level.

In New York State we have found that coordination not only makes the critical difference but is in fact absolutely essential for optimal utilization of dimished Federal employment and training resources. Moreover, we have learned that the SETC is the ideal mechanism for this purpose. It stands to reason that a body whose membership is comprised of the diverse interests of the employment and training community should have the capacity to recommend effective strategies for increasing coordination among these interests. We believe there are other important areas for SETC leadership including these: provision of management assistance for prime sponsors, PIC's and community-based organizations; establishment of benchmarks, goals and timetables; comprehensive statewide program planning for economic development and labor market analysis, particularly where municipalities overlap natural labor market regions; and, finally, assessment, monitoring, and evaluation of program effectiveness.

There has been much discussion of delegating greater administrative and decisionmaking responsibilities to States. If the subcommittee deems such action appropriate, we are fundamentally concerned that specific Federal criteria are established to insure service delivery to disadvantaged target groups. Moreover, effective compliance and enforcement provisions are absolutely necessary. Regardless of whether administrative responsibility rests at the Federal or State level, the subcommittee must make its paramount mission the assurance of strong legislative provisions for compliance and enforcement. The employment and training system can no longer afford the stigma of fraud and abuse.

Senator QUAYLE. Mr. Johnson, excuse me. The bells have rung. There is a vote on the Senate floor, and I am going to have to leave here in about 6 minutes. I know you have a plane to catch. I wonder if you could summarize quickly and let me ask a couple of questions.

Mr. JOHNSON. Fine. I will just touch on one other point and can summarize.

Senator QUAYLE. It will all be included in the record.

Mr. JOHNSON. You have the full statement.

Senator QUAYLE. I do have the full statement.

Mr. JOHNSON. I tried in doing this not to repeat anything others had said. I do want to stress the role of the SETC. As the statement indicates, we feel that the private sector role should be strengthened but that there are considerations that need to be taken into account because the startup effectiveness of the private sector initiatives program has not been as great as we would like to see it.

Let me just conclude in this fashion.

The members of the New York State Employment and Training Council believe that the employment and training delivery system has functioned well in the past, serving the needs of many thousands of persons in response to dire economic conditions. However, we also believe that no system works so well that it cannot be improved.

Just as we have expressed our commitment to work with the subcommittee to improve the effectiveness of the employment and training system, we now ask the subcommittee to take steps to insure that the SETC has the support and resources to continue fulfilling these critical functions.

We think, Senator, that there is a need for continued Federal involvement in the employment and training arena, not only in terms of funding but in terms of establishing broad policy mandates. We think that the role of the States should be amplified, as has been proposed, because of the need for more directed coordination and planning. We think that the committee must understand that there are those people who greatly desire to work but who do not bring the skills into the labor market.

CETA has a prominent role, and it should be strengthened. It should be more directed and more targeted. It should continue.

Senator **Quayle**. We will insert your prepared testimony.

[The prepared statement of Mr. Johnson follows:]

TESTIMONY OF WILLIAM A. JOHNSON

Chairman, NY State Employment and Training Council

Before the Senate Subcommittee on Employment and Productivity

Mr. Chairman, members of the Senate Employment and Productivity Subcommittee, I am William Johnson, Chairman of the New York State Employment and Training Council. I wish to thank you for affording me the opportunity to testify before the Subcommittee today concerning employment and training policy issues. Accompanying me are Mr. Michael Cunningham, SETC Staff Director, and Mr. Timothy Grippen, SETC Program Analyst and former president of the New York State Association of CETA Administrators.

The New York State Employment and Training Council — or SETC, as it is more commonly known — was established pursuant to the mandates of the Comprehensive Employment and Training Act (CETA), and is primarily responsible for providing our Governor, the Honorable Hugh L. Carey, with broad-based input regarding the extent to which the employment and training delivery system is meeting the needs of the citizens of New York State. We also seek to increase coordination within the complex network of such employment and training providers as prime sponsors, community-based organizations, social service, economic development and educational agencies and institutions, thereby maximizing the utilization of employment and training resources throughout the state. As an outgrowth of our experience in the employment and training arena and of our concern about the future direction of federal employment and training policy, we share the Subcommittee's desire to ensure that appropriate legislative action is taken in response to the expiration of the CETA authorization.

To provide a framework for examination of employment and training policy, the Subcommittee has set forth a broad range of issues it wishes to examine. We commend the Chairman and the Subcommittee for their forthrightness in providing this forum for consideration of these critical issues. We are all aware that the fiscal crisis confronting this nation will have a direct bearing on future employment and training policy; and we are also aware of the fiscal constraints Congress has imposed on CETA as well as other programs currently administered by the U.S. Department of Labor. In light of these factors, we are cognizant that the combined efforts of many entities will be required to improve the employment and training system to ensure that it is simultaneously cost-effective and responsive to human needs. We do not believe these goals are mutually exclusive, and we pledge ourselves to work with you in this endeavor. Our comments today will address each of the issues delineated by the Subcommittee.

I. APPROPRIATE OBJECTIVES OF EMPLOYMENT AND TRAINING POLICY

In order to perceive properly the objectives of employment and training policy, these objectives must first be clearly distinguished from another set of closely-related objectives: those of the educational system. Otherwise, neither policy will be able to provide its clients or target groups with the maximum possible benefit. The resources of the educational system are intended to provide, enhance, and develop the knowledge and skills of its students. These skills can be grouped under three categories:

- adaptive skills, which provide the student with an understanding and appreciation of the tenets fundamental to the workings of modern society, including the work ethic, the sense that one has responsibility for one's actions as they affect the other members of society, and other values necessary for productive and rewarding interaction with society.

- fundamental skills, which provide students with the tools necessary to understand their environment and to deal with it effectively, such as reading comprehension skills and numerical computation skills.

- specific occupational content skills, which to a certain extent act as a final step in the education process (through vocational education programs or colleges and universities) and which provide students with skills necessary for particular jobs.

The objectives appropriate to an employment and training policy complement those discussed above, but are distinct in purpose from them. Thus, the ultimate objective of any employment and training policy is to provide a labor exchange mechanism that identifies appropriate jobs for individuals seeking employment and provides prospective employers with qualified candidates. In this sense, the role of the employment and training system is to provide a mitigating influence to help resolve the fluctuating problems of occupational supply and demand. As an employment and training policy is developed to address these problems, it quickly becomes apparent that certain critical judgements must be made: Should individuals be trained or re-trained when the supply of labor is less than the demand for labor? Conversely, should support be supplied to workers idled when the labor supply exceeds the demand? The answer to these questions inevitably generates another objective of an employment and training policy, intimately related to the primary objective of labor exchange.

The other necessary objective of an employment and training policy should be to provide a variety of essential remedial services in order to alleviate job-related inequities as they occur in the labor market. For example, many individuals have not fared well in the educational system for any number of reasons, and thus have not received adequate preparation for competition in the labor market. Their needs must be addressed by an employment and training policy. For the most part, the system prefers to respond to these needs by offering special skills training not provided by the educational system, thereby extending the spectrum of such services available to eligible clients. However, all too often, employment and training resources must be utilized to either provide or improve adaptive and/or fundamental skills. The employment and training system is also called upon to meet the needs of persons who are not adequately prepared to enter the labor market because their education has not adequately taken into account the realities of existing labor market conditions and demands.

A wider perspective reveals a broad range of additional employment problems in need of remediation. For example, the older urban and rural areas of this country are characterized by chronic unemployment. In many cases, differing taxation and other economic policies have had a dramatic impact on employment — by causing the migration of industries from snowbelt to the sunbelt, or out of the country altogether. And it must be emphasized that minorities and especially minority youth suffer disproportionately from the educational and economic inequities we have discussed.

Clearly, if an employment and training policy is to fulfill successfully its primary purpose — that of providing a labor exchange mechanism — it must deal with these inequities as they affect the labor exchange process. Moreover, to the extent that employment and training policy achieves these ends, it will also fulfill the objective of rectifying unacceptable levels of employment on a national basis, in particular geographic areas, and among specific population segments.

However, the onus for the resolution of the myriad related problems should not fall solely on the employment and training system, but should be borne by all those involved — the private sector, labor, government, and education -- because the decisions and activities of each of these groups cannot help but affect the total employment picture. Notwithstanding, the employment and training system can and will play a major role in the resolution of these problems due to its ability to coordinate and focus its resources.

The foregoing discussion clearly indicates that the development of a national employment and training policy is intimately related to the larger issue of economic development and recovery, since true economic recovery and future growth depends upon the rejuvenation of business, the preparation of adequately trained employees, and the reduction of the dependency of able citizens on public assistance.

Program Objectives

From a programmatic standpoint, employment and training policy should also seek to achieve the following objectives:

- Coordination of the planning and allocation of funding resources available within States to prevent agency competition, to avoid duplication, to forestall jurisdictional disputes, and thereby maximize effectiveness. Coordination within the educational, human services and employment and training community should promote positive program results by combining basic skills training and occupational training with an emphasis on increased self-sufficiency for participants.

- Development of comprehensive and responsive program plans that address local, state, and national economic development issues.

- Provision of technical assistance and other guidance and direction to ensure that resources are effectively utilized pursuant to state or local plans as well as national priorities.

- Provision of relevant data on the effectiveness of programs through a simple, uniform reporting system, so that the accomplishments of the employment and training system can be documented.

- Involvement of business and industry in publicly-funded economic development initiatives through cooperative planning, training and upgrading programs, and other approaches, such as the creation of a job-ready pool of potential employees with marketable skills.

In summary, then, the objective of an employment and training policy is to provide an optimal labor exchange mechanism as well as a spectrum of remedial services to alleviate job-related inequities and thereby ameliorate the problem of unemployment. Hence, it is distinct in purpose from, but a complement to the educational system. This primary objective indicates that a national employment and training policy is intimately related to economic development. However, history teaches us that a number of concerns — e.g. coordination, planning, technical assistance, data development, and private sector involvement — must be addressed before resources can be meaningfully and effectively directed.

II. IMPLEMENTATION OF EMPLOYMENT AND TRAINING POLICY OBJECTIVES

Congress has provided through the CETA legislation a variety of techniques and approaches to carry out employment and training policy objectives. These approaches include:

- Education and training for participants;
- Job creation in the public and private sectors;
- Labor market analysis;
- Incentives to and coordination with the private sector;
- Occupational supply and demand management.

We believe that all of these strategies are essential to address the complex problems the employment and training system seeks to remedy. This is particularly true in light of the diversity of employment and training needs and capabilities at the local level. Thus, the appropriate methods for accomplishing the objectives of any employment and training policy will depend on geographic location, demographic characteristics, and the sociological relationships within these areas that will affect decisions to use various methods. The methods used to achieve objectives will be determined by both the availability of funds and the particular problems facing the unemployed.

With regard to specific employment and training strategies, it is apparent that public service employment has become an extremely controversial issue. However, we maintain that it is still a legitimate tool for the structurally unemployed and particularly in those areas where there is paucity of economic development activity and private sector employment options. Further, we believe that experience has demonstrated the limited utilization of work experience programs. Such efforts are short-term and do not result in commitments from employers to hire participants. On the other hand, OJT programs should be expanded and improved by increasing the length of time permitted for this activity and providing additional incentives to employers.

We must emphasize that the diverse mix of strategies has not been probiemmatic to the employment and training system. Rather, inadequate coordination and insufficient flexibility have been greater hindrances to program effectiveness. We thus urge the Subcommittee to focus major efforts on effectuating improvements in these areas.

III. TARGET GROUPS FOR EMPLOYMENT AND TRAINING POLICY

There is an unquestionable need for targeting scarce resources to those persons who are most in need of services. The national labor market functions quite well for the majority of people looking for work. However, there are millions of people who are not in the mainstream and thus need special governmental intervention strategies to assure their access to job opportunities. The employment and training system has attempted to ensure that access. Throughout the evolution of CETA, Congress has demonstrated its sensitivity to the needs of special target groups, and thus the legislation reflects this concern.

Current consideration of the efficacy of this or any other approach to targeting must be viewed within the context of fiscal realities. Although there are many proponents of an employment and training system which serves all segments of the population, it is quite apparent that at least for the immediate future, federal resources would not be sufficient to support such an endeavor. Therefore, it is clear to us that employment and training services must be targeted on those groups which demonstrate the greatest need for assistance.

While we believe that local service providers should have maximum flexibility to meet the needs of local target groups, the federal government should provide specific guidance as to the intended use of federal funds. One approach would be to provide states and prime sponsors with a variety of target group options with the stipulation that the final determination of services for specific groups should be based on their representation within the local population.

Although there may be political risks attendant to such an approach (we are fully aware of the diminished attractiveness of programs serving the poor), we believe that federal employment and training funds must be targeted in light of their limited availability. Only if additional resources for employment and training programs become available from other sources such as private-public ventures or other initiatives would we recommend the expansion of these services to broader segments of the society.

IV. RELATIONSHIP BETWEEN EMPLOYMENT AND TRAINING AND INCOME MAINTENANCE POLICY

Any meaningful discussion of the relationship between employment and training and income maintenance policy, must first include a critical distinction between "income maintenance" and "income transfer". "Income maintenance" refers to the provision of income to recipients who are dependent on assistance due to the adverse consequences of cyclical economic conditions or due to more fundamental deficiencies that make these persons difficult to employ. "Income transfer," on the other hand, involves the removal of funds from one source in order to produce revenue, in another area — e.g., unemployment insurance, trade adjustment assistance, or social security. The clients served by these two different kinds of programs are clearly facing different problems and thus have different needs to be addressed by employment and training policies. For example, an income maintenance recipient obviously would need a more comprehensive range of services than a person collecting UI who stands to be re-employed as soon as business conditions improve.

Although there is an unmistakable need for these kinds of programs, there is an equally clear need for cognizance of the realistic constraints that exist regarding costs. Prudence, even austerity should be exercised. In furtherance of this goal, strict eligibility criteria should be established and enforced in order to prevent fraud and abuse and the consequent waste of funds.

Also apparent is the need to link income maintenance and income transfer programs to employment and training policies and programs. The majority of the "dependent" members of this society desire an opportunity to participate in the mainstream of our economic system. This opportunity has most often been denied for a variety of reasons: lack of available jobs, lack of appropriate training, unacceptable work habits on the part of the individual, or poor information which inhibits appropriate worker-job match. Employment and training policies must be closely coordinated wtih income maintenance policies to facilitate this transition from dependency to gainful employment. We believe it is appropriate for income maintenance policies to mandate participation of program beneficiaries (with some exceptions) in employment and training programs. To achieve economic independence, these income maintenance recipients need to have sufficient training, skills and work experience to be competitive in the marketplace. A comprehensive employment and training policy must provide no less. Assessment, counseling, classroom training, work experience, on-the-job training in private industry and the public sector, and the associated supportive services must be available for those individuals who demonstrate a need for these services.

In order for this linkage to have the maximum positive impact, administrative flexibility should be provided. One outcome of such flexibility has been the development of self-sustaining employment and training initiatives serving income maintenance clients. We have seen the Supported Work program as a productive means of achieving this linkage. This program offered up to 18 months of work experience in a variety of different areas, such as housing rehabilitation, small manufacturing operations, public park management, and day care operations. Revenues from the sale of goods and services helped finance the program, and welfare allowances were permitted to be converted to wages. The extraordinary success this program achieved with welfare mothers and drug abusers has led to the Manpower Demonstration Research Corporation recommendation that the program be expanded and closely linked with CETA, WIN and drug abuse treatment programs.

This program is doubly attractive in that it lacks the ill effects of lost revenues for the private sector, and it provides clear incentives in the form of higher profits. The Supported Work program offers us a useful and instructive model for the further development of productive and rewarding coordination among income maintenance, income transfer, and employment and training efforts.

V. FEDERAL, STATE AND LOCAL RELATIONSHIPS

Under the current employment and training system, each level of government has played an important role. At the federal level, the Employment and Training Administration has provided policy direction and has sought to ensure program quality and fiscal integrity. States have assumed primary responsibility in the areas of coordination and innovation; and localities have been responsible for program administration.

The Reagan Administration has indicated its desire to decrease the level of federal involvement in the employment and training system and to provide even greater autonomy and flexibility for state and local governments. While this goal may have some merit, the Subcommittee must ensure the continued existence of an appropriate mechanism to implement federal employment and training policy.

Protection of Federal Funds

The question of reasonable balance between protection of federal funds and preservation of local autonomy strikes at the core of CETA's past problems. To date, monitoring and auditing have been the most viable weapons in the Secretary's arsenal of deterrents to local fraud and abuse of federal CETA dollars. The 1978 CETA Reauthoriztion attempted to address this problem by adding administrative standards; annual assessment and evaluation; reallocation procedures; better definitions of fraud and abuse; criminal penalties; and complaints, investigations and sanctions. Nonetheless, we have not seen a change in the attitude of political decision-makers toward CETA, even though these new provisions have not resulted in any meaningful disclosure of fraud and abuse within the Employment and Training Community.

Congress approached the 1978 reauthorization with a clear intention to strengthen administrative procedures and to pursue and prosecute prime sponsors who abused federal CETA dollars. Those revisions created additional work for CETA program operators but they have not resulted in fines, penalties or jail sentences. Most people I know in the employment and training community wish that just once, a prime sponsor's funds were withdrawn for noncompliance of federal rules and regulations, or an alternative service deliverer were chosen due to failure of a prime sponsor to meet performance criteria. In fact, this has not occurred. However, the attitude persists that the CETA program is fraught with fraud and abuse despite the overwhelming evidence to the contrary. We do not claim that fraud and abuse are totally nonexistent, but we maintain that it is no more, and probably less, prevalent than in other segments of the economy. Over the years we have developed a solid core of administrative officers who are dedicated, committed, and deserving of a better reputation than current attitudes allow. The CETA statute and regulations are in place to protect federal dollars. If federal dollars are not being protected, then it is not the fault of the current local delivery system.

Federal Objectives Versus Local Autonomy

Is there a balance between achieving federal objectives and preserving local autonomy? We believe such a balance can be achieved, but the crux of the problem is funding. If objectives are established without providing adequate funds, the result is frustration. For example, during the expansion of Public Service Employment (PSE) Programs during 1977 and 1978, Congress established percentage requirements for serving veterans. No one, least of all members of the black community who witnessed the drafting of large numbers of young urban blacks during the Viet Nam war, would object to targeting jobs for veterans. However, all geographic areas did not contribute sons and daughters to the military in equal proportion and therefore some prime sponsors either underutilized funds or underserved veterans according to unrealistic national standards. Underutilization of funds meant that some disadvantaged persons were excluded from job opportunities while many program administrators were criticized for not doing enough for veterans. Thus, it is clear that guidelines must be flexible and subject to local conditions.

The Role Of States And State Employment And Training Councils

The state role in the employment and training system has fostered greater coordination and promoted a high level of innovation. Under the current structure, states are provided with a percentage of employment and training resources through the Governor's Special Grants to carry out these functions. As you are aware, State Employment and Training Councils are also funded by Governor's Grant resources and are mandated to review the adequacy and effectiveness of statewide employment and training services and to coordinate the delivery of these services.

In New York State, program operation has been a major feature of the Governor's Grant. Moreover, the New York State Employment and Training Council is rapidly taking the lead in improving statewide planning and coordination and providing extensive training and technical assistance to employment and training service providers throughout the state. We strongly recommend that the Subcommittee strengthen these functions at the state level.

We also believe that state involvement in program operation should be continued and expanded to provide greater statewide program development. For example, as we in New York State and other areas in the Northeast have shifted from industrial-manufacturing economies to service economies, we have also witnessed the growth of high technology industries which cater to large labor market geographical regions. Increased statewide program development capability would facilitate identification of the skill training needs of these emerging industries, and would increase opportunities for CETA eligible citizens throughout the State to obtain necessary training and qualifications to meet the needs of such industries.

In New York State we have found that coordination not only makes the critical difference but is in fact absolutely essential for optimal utilization of diminished federal employment and training resources. Moreover, we have learned that the SETC is the ideal mechanism for this purpose. It stands to reason that a body whose membership is comprised of the diverse interests of the Employment and Training community should have the capacity to recommend effective strategies for increasing coordination among these interests. We believe there are other important areas for SETC leadership, including:

- Provision of management assistance for prime sponsors, PICs and community based organization;
- Establishment of benchmarks, goals and timetables;
- Comprehensive statewide program planning for economic development and labor market analysis, particularly where municipalities overlap natural labor market regions;
- Assessment, monitoring and evaluation of program effectiveness.

There has been much discussion of delegating greater administrative and decision making responsibilities to states. If the Subcommittee deems such action appropriate, we are fundamentally concerned that specific federal criteria are established to ensure service delivery to disadvantaged target groups. Moreover, effective compliance and enforcement provisions are an absolute necessity. Regardless of whether administrative responsibility rests at the federal or state level, the Subcommittee must make its paramount mission the assurance of strong legislative provisions for compliance and enforcement. The employment and training system can no longer afford the stigma of fraud and abuse.

VI. ROLE OF THE PRIVATE SECTOR

The need for greater private sector participation in the employment and training system cannot be overemphasized. Eighty percent of the permanent employment opportunities in this nation are located within the private sector. This revelation is not new. Congress has consistently demonstrated its desire to encourage the private sector to assume its fair share of the responsibility for providing jobs to our nation's disadvantaged citizens; and the employment and training community has sought to implement that desire.

During the 1978 CETA reauthorization, Congress expanded the scope of the legislation to include Title VII, the Private Sector Initiative Program. This effort was intended to bring business and labor together to form private industry councils (PICs) to assist in creating private sector jobs for the economically disadvantaged. The legislation encouraged PICs to develop innovative approaches and vested in them the responsibility for advising prime sponsors of the viewpoints of private enterprise and for translating to fellow members of the business community the advantages of working closely with the CETA system. The authorization for this initiative was extended in 1980 and included stronger provisions to encourage coordination with economic development initiatives and to increase the use of retraining and upgrading strategies, thereby creating more entry-level positions.

Thus we have witnessed the evolution of a stronger private sector emphasis to increase the capacity of the employment and training system to provide its clients with permanent unsubsidized employment. However, states and prime sponsors are now confronted with increasing pressure to justify the continued existence of the employment and training system by demonstrating its ability to obtain large numbers of private sector placements for its participants. As we contemplate the future direction of that system, there is widespread sentiment that private sector employment must be the sole objective. While we endorse a strong private sector emphasis, there are several caveats and recommendations we wish to share with the Subcommittee.

Lessons From Existing Private Sector Employment Efforts

In our view, Title VII of CETA has been a significant and positive step toward building an essential partnership between the private and public sectors. PSIP and the PICs have afforded the employment and training community a valuable bridge to the business community and have helped to identify businesses which are committed to utilizing their resources to address the critical employment and training needs of the disadvantaged.

Nevertheless, a USDOL evaluation of 25 PIC sites throughout the country indicates that after nearly three years of existence, PICs have demonstrated only limited, albeit tangible success. More specific findings revealed that:

- Four sites surveyed demonstrated "high progress" in implementing the Title VII mandate;
- Nearly half of the sites reported difficulties in obtaining OJT commitments or placing program graduates;
- Only one site had succeeded in improving private sector attitudes toward federal employment and training programs.

Moreover, on a nationwide level PICs have only achieved 38 percent of planned versus actual program activity.

By citing this information, it is not our intention to detract from the tremendous potential of PICs or to indict the private sector. However, in contemplating future private sector initiatives, the Subcommittee should profit from the lessons of the PIC experience. There are many who would suggest that the major obstacle to the full acceptance of the PIC concept by the business community has been inadequate marketing of the program. However, if the shortcomings of PICs are viewed as primarily perceptual, subsequent efforts will result in the application of simplistic solutions to a complex set of problems.

We believe that without substantial improvement in the relationship between business and the employment and training system, the PICs and other private sector efforts will continue to experience difficulty for three significant reasons:

- Biases of private employers against government manpower programs;
- Unwillingness by the PICs and most private sector employers to accept disadvantaged target groups;
- Administrative problems such as late startups, redundancy, waste and duplication.

Obviously, the economic ills which have plagued our nation have inhibited the ability of the private sector to hire large numbers of disadvantaged workers. Evidence clearly indicates that employers respond to traditional incentives such as training subsidies, tax breaks and a supply of qualified workers when the economy is expanding. However, if we assume improved economic conditions as a result of economic recovery, is it also realistic to assume that increased private sector employment of the disadvantaged will naturally occur under the present structure? We believe that modification of the existing structure will be necessary if we are to realize significant gains in this area.

Toward A Meaningful Private-Public Partnership

First and foremost, the underlying principle of the employment and training system must be based upon a full private-public partnership. This goal should not be confined to one discrete component, but should permeate all facets of the system. Thus, we believe the employment and training system would benefit from promotion of private sector input regarding the utilization of all employment and training resources, rather than 10 percent of those resources under the existing CETA Title VII PIC effort.

In New York State, we have already begun this essential private-public partnership. Under the auspices of the State Employment and Training Council and the Governor's office, we have coordinated, in conjunction with the PIC's and the New York State Business Council, a massive statewide PSE transition effort. In addition, the SETC has initated a dialogue with PICs in prime sponsors and the Balance of State, in an effort to institutionalize statewide coordination of PIC activities, as well as training and technical assistance. Moreover, at the SETC Annual Meeting to be held on June 24-26, the PICs will be involved in a collaborative effort to develop a New York State Employment and Training Policy. Thus, we endorse a system where, at the very least, the private sector is a full partner in planning, coordination and policy development.

I would like to state parenthetically that our State Employment and Training Policy will have particular relevance to the national effort to improve the employment and training system and will provide the framework for our recommendations to Congress and the Administration. We look forward to sharing the New York State perspective with the Employment and Productivity Subcommittee as our efforts evolve.

Another important benefit of a private-public partnership is the potential to improve the labor exchange and facilitate supply and demand matching. This has been an area of major criticism against the CETA system and is a natural avenue for private sector participation.

Although our discussion has focused on expanded private sector involvement in several key areas, we have consciously omitted discussion of funding mechanisms to stimulate this involvement. We now turn our attention to this critical issue.

Shared Fiscal Responsibility

During the past few years, increased attention has been focused on private-public ventures and other mechanisms through which private and public fiscal resources would be co-mingled to provide employment and training services. From a philosophical standpoint, such an approach has significant merit. Since the private sector would be the primary beneficiary of an improved employment and training system through an expanded pool of qualified workers, it stands to reason that private employers should incur some of the cost of these benefits.

Private-public ventures have met with apparent success in the economic development arena. The Urban Development Action Grant (UDAG) is an example of utilization of federal funds as an impetus for private investment. A similar strategy may be appropriate for employment and training programs and thus warrants further study by the Subcommittee. The creation of income-generating employment and training projects might be another possible incentive for private investment. This has been attempted on a limited scale and is another area for further exploration.

Obviously, when such strategies are considered, the issues of fiscal integrity and accountability for public funds become increasingly important. Notwithstanding, if accountability can be preserved, private-public ventures may be a worthwhile experiment.

Wage subsidies and tax incentives are mechanisms for directly and indirectly providing the private sector with federal resources to encourage their participation in the employment and training system. While these approaches have not yielded expected outcomes, they stand in principle as useful options for an effective employment and training system. Thus, we recommend that the Subcommittee examine the shortcomings of existing efforts and develop new proposals in this area.

Preconditions for Risktaking

While we view the strategies outlined above as bold initiatives which may have the potential for bringing about rapid and far reaching gains in private sector participation in the employment and training system, we do not support a "laissezfaire", "free enterprise", or "open marketplace" approach to achieve this end. We believe the federal government and the private sector have definite roles and responsibilities to safeguard the utilization of federal resources, ensure equality, and provide services to the most disadvantaged. Accordingly, we offer the following conditions we believe must be met by any employment and training system which promotes extensive co-mingling of federal and private funds or permits utilization of federal resources by the private sector.

- If wage subsidies and tax incentives are offered to private sector employers, the federal government should set conditions regarding training, education and the kind of work experience offered by the employer.

- In awarding federal contracts to private sector employers, the federal government should stipulate that employment opportunities must be provided to the economically disadvantaged in proportion to their representation among the local population of the employer.

VII. COORDINATION OF DIVERSE EMPLOYMENT AND TRAINING PROGRAMS

Employment and training programs have, over the years, utilized a wide range of approaches, and practitioners have urged coordination whenever possible. Thus, program linkages have been included in many legislative mandates. Notwithstanding, adequate coordination has not yet been achieved. In the face of long term reduced federal fund availability, the issue of program coordination assumes particular significance, and we view it as one of the most obvious and viable mechanisms for improving the employment and training system.

At present, there are three major federal programs to provide employment and training services: CETA, WIN and the Job Service. In addition, the government supplements state and local elementary, secondary, vocational and higher education programs; supports income maintenance programs; and offers tax incentives and loans to businesses to create employment and promote the hiring of certain groups. Efforts to end discrimination, influence locational decisions of firms, and promote the overall health of the economy also affect the success of employment and training programs.

CETA, WIN and Job Service each serve a specific clientele. Although there is some overlap, demonstration efforts towards consolidation have not resulted in the adoption of this approach. However, to increase the overall effectiveness of the employment and training system under current fiscal conditions, it is clear that legislative and or administrative provisions are now necessary to eliminate duplication and to increase coordination among the existing programs. We therefore recommend that the Subcommittee devote further study to the issue of consolidation of programs currently administered by the Employment and Training Administration. Further, we strongly suggest that the Subcommittee should not permit competition between these programs to influence its decisions. Rather, the increased ability of the system to meet the needs and demands of employment and training participants, deliverers, and the business community should be the sole concern.

The need for greater coordination with economic development efforts is self-evident. We strongly urge the Subcommittee to adopt measures to increase meaningful linkages between employment and training and economic development resources.

VIII. EFFECTIVENESS OF EMPLOYMENT AND TRAINING PROGRAMS

The Subcommittee has raised the issue of the record of CETA and whether it has been successful in achieving its objectives. In response, we summarize recent data from fiscal 1980 relevant to programs in New York State. In most instances, the statistics on CETA in New York parallel the national data. We also provide specific recommendations based on current national research findings.

Scope of Services

During fiscal year 1980, more than $620 million (including funds used for administrative purposes) was expended through the CETA programs in New York State to provide employment, training and supportive services to 303,000 residents. On a statewide basis, the number of participants served and dollars expended in most of the major program components was within 15 percent of the planned goals.

Client Characteristics

Fiscal 1980 enrollments by client characteristics show a trend toward increasing concentration on the more needy or disadvantaged segments of the population. This trend can be traced to the stricter CETA eligibility requirements mandated under the amendments of 1978. The most striking change occurred in regard to the economically disadvantaged.

Career Placements - Titles IIBC & VII, And YETP and YCCIP

Among the major CETA programs, Title IIBC was the most successful with a placement rate of 43 percent and a positive results rate of 67 percent. The new Title VII Private Sector Initiatives Program shows considerable promise as well, with a 41 percent placement rate. Terminees from the youth components, especially YETP, tended to achieve successful program outcomes, with the positive results rate the more meaningful indicator in light of the number of options open to youth.

Placements From PSE Components

The public service employment components yielded outcome rates that were somewhat disappointing with approximately 25 percent placements, and less than 50 percent positive results. These figures are lower than had been observed in previous fiscal years, with the declines due, at least in part, to an increase in the overall unemployment rate and to the changes in client characteristics toward more needy or disadvantaged persons facing greater barriers to employment.

Placements From Non-CETA Programs

A comparison with placement rates in other programs shows that the Job Service was fairly successful with 31 percent of their new applicants and renewals securing jobs. Even more successful at first glance, were the Vocational Education programs where 54 percent of the completers who responded to the Vocational Education survey had secured employment; however, three out of four of the people in their programs were not members of any minority group, and were probably at a higher skill level before training.

On the other hand, the Work Incentive Program fell far short of the others with a placement rate of 11 percent. At the same time, however, 75 percent of the WIN registrants were non-whites and 100 percent economically disadvantaged. This population has numerous barriers to employment, and strict adherence to placements rates alone does not accurately reflect program performance.

Earnings And Length Of Employment

An even more valid manner of assessing participant benefits from the CETA program is the measurement of earnings and employment variables over a period of time following termination. Relevant evidence from previous studies in New York State indicates that CETA is having a significant impact on the earnings and career progress of terminees. That is, fiscal year 1980 terminees who entered employment tended to have considerably higher wage levels as compared to their pre-CETA employment.

Summary

In summary, it seems clear that New York prime sponsor programs, examined on a statewide basis, are functioning effectively with the scattered exceptions noted in this analysis. In fiscal year 1980, there was substantial success in developing and implementing employment and training programs which meet the planned goals for expending allocated funds and serving appropriate numbers of participants. Furthermore, CETA programs in New York have fulfilled one of the major goals of the 1978 amendments, that of serving the population most in need of employment and training services. Despite the challenges created by the new participant population, the programs have, in most instances, maintained a strongly favorable impact on the careers of terminees, as measured by such short-term performance indicators as placement rate and positive results rate. Also, there is indirect evidence based on surveys of earlier groups of terminees that the benefits to participants persist over at least moderate periods of time, with improved earnings and employment rates observed.

— Direct Economic Pay Back of CETA - The employment and earnings gains documented in this and similar research not only represent significant impacts on the lives of individual participants, they also reveal that from a number of perspectives society's investment in the CETA program was more than paid back. The heightened level of employment led to a reduction in welfare and other transfer payments, additional goods and services produced, additional local and federal taxes generated and a stimulus to the economy based on the additional income in circulation.

— Inadequacies Of The New Macroeconomic Policies - The current Administration apparently believes that the supply side macroeconomic policies that constitute their "economic recovery program" will solve the problem of unemployment in this nation. However, there is a well supported view among employment and training experts and others familiar with the disadvantaged segments of the society that even if these policies are successful in creating new jobs, and this assumption is questionable, the structurally unemployed will not benefit nearly as much as will skilled workers. Those who hold this view argue convincingly that employment and training programs will still be necessary in order to train the disadvantaged for the jobs that become available in the private sector, as well as to provide wage subsidies for hiring them when job opportunities occur, and possibly, creation of positions directly through some form of public service employment.

— Monetary Efficiency Of Employment And Training Approaches - It has also been argued that such selective employment policies, specifically, wage subsidies and PSE by themselves or in combination with training, are preferable to general macroeconomic approaches during inflationary periods. The reasoning is that employment increases in the less skilled segments of the labor force do not produce the upward pressure on wages and subsequently prices that result from tightening the high skill segments of the labor market. Finally, there is evidence that these employment and training approaches are more efficient in that they create more positions per unit cost than general economic stimulation.

Recommendations

Numerous research studies have been performed to assess various aspects of the CETA program. Thus, it should be possible to draw some lessons for the future from the results obtained. From these studies, the suggestions that follow are based primarily upon research performed by Randall P. Ripley and Associates of Ohio State University, under contract with the Employment and Training Administration. These findings, and the views of various other experts in the field, as well as the New York State Employment and Training Council are also presented.

Services to the Disadvantaged

- We recommend that the commitment established by the Congress during the CETA Reauthorization of CETA in 1978 be pursued with continuing diligence at the national, state, and prime sponsor level. That commitment was to serve those people most in need of employment and training services, primarily the economically disadvantaged members of this society;

- Empirical evidence indicates that adherence to such a policy does not compromise the program performance levels achieved by prime sponsors.

Level Of Commitment To Training And Placement

- Concentration on the training and placement aspects of CETA is advocated at both the local and national level;
- Placement can be fostered by actions 1) by the Department of Labor to provide the methodology for developing more refined labor market data on training occupations 2) utilization innovative job search approaches such as "job finding club", 3) provision of technical assistance necessary to achieve expansion of on-the-job training;
- Enhanced effectiveness of training can be achieved through such measures as 1) maintenance of program specific performance data to guide funding decisions, 2) improvements in public education delivery systems, especially in the area of basic skills, and 3) provision of remedial education to those who have not benefited from participation in the traditional education system;
- Utilization of research findings on programmatic and organizational

factors common to successful programs to improve program planning.

Monitoring and Evaluation

- An effective monitoring system requires a local management information system that is understood and utilized by monitoring staff;
- Monitoring should include all programs and deliverers and should entail both on-site visits and desk reviews;
- It is essential that monitoring reports be used as a basis for corrective action;
- At the national level, DOL should continue to fund investigations of the effectiveness of on-going programs and tests of innovative program approaches;
- The results of this research should be used in funding and planning decisions at both the national and prime sponsor levels. For example, the findings of completed demonstration programs for welfare eligibles and recipients should serve as the basis of any national welfare reform initiative.

Business and Organized Labor Involvement In CETA

- CETA must work vigorously to tap the jobs controlled by business and organized labor as placement sources for CETA participants.

- The PICs must further strengthen the role of the business community in such additional areas as labor market studies and the development of training programs.

- Prime sponsor staffs, with the assistance of DOL, should work with unions on such projects as CETA funded apprenticeship or pre-apprenticeship programs.

IX. CONCLUSION

To conclude my testimony, let me state on behalf of my colleagues on the New York State Employment and Training Council that we believe that the employment and training delivery system has functioned well in the past, serving the needs of many thousands of persons in response to dire economic conditions. However, we also believe that no system works so well that it cannot be improved. We are committed to working with Congress and all other interested parties to discover and implement worthwhile strategies that will better fulfill the objectives of employment and training policy. We have already discussed some of these —

- a broad national policy that provides labor exchange mechanisms and remedial services to rectify unacceptable levels of unemployment;

- a mix of available strategies that can be responsive to local conditions and national priorities;

- an assurance that those most in need are targeted for services, including the promotion of self-sufficiency for recipients of income maintenance and income transfer payments;

- the institution of a partnership between the private and public sectors, with share responsibilities and shared resources;

- the gathering of data to test program effectiveness, and the consequent implementation of successful designs; and

- the productive coordination of all the principal players and the vast resources in the employment and training community.

The issue of coordination is particularly germane to the experience of the New York State Employment and Training Council. This principle has been our watchword, and we have developed and instituted a number of activities designed to further that end. For example:

- assessment, monitoring and evaluation of programs, and the dissemination of rsults so that they may be utilized elsewhere.

- statewide planning that incorporates a broad range of issues at all levels of program operation.

- exchange of ideas among education, economic development, social services and other representatives of employment and training related organizations.

Just as we have expressed our commitment to work with the Subcommittee to improve the effectiveness of the employment and training system, we now ask the Subcommittee to take steps to ensure that the SETC has the support and resources to continue fulfilling these critical functions.

We recognize the need for fiscal constraint in these austere times, but we also recognize that there is still a task that must be accomplished. In that sense, the SETC and the Subcommittee share the same objective -- to see to it that the nation's employment and training needs are satisfied in a manner both prudent and responsive. There must be a mechanism whereby the nation's most needy citizens are integrated into the mainstream of work, productivity, and prosperity. Employment and training programs provide just such a mechanism. Far from being wasteful government expenditures, these programs, when properly directed, can play a productive and crucial role in the strengthening of our national economy, by helping our most disadvantaged fellow citizens leave the public assistance rolls and obtain rewarding employment, as well as by adding to the supply of trained workers ready to fill the new jobs created by an invigorated economy.

Senator QUAYLE. Let me ask two questions. One, how do we insure and get the continued support and further expansion of support from the private sector? Two, with the limited resources that we have at the Federal level, what should be the main emphasis on a training and employment program? Those are two very tough issues that we have got to draw some lines on. I wonder if you could give us your expertise and input on those two issues.

Mr. JOHNSON. I can speak to you directly on that point. I operate employment and training programs in a local area. I believe very, very strongly in collaborating and cooperating with the private sector. I think that we have not been generally too successful in that regard. I think that simple slogans and shibboleths will not work. I think that the private sector has to understand its commitment, has to forgo some of the reservations it has about programs like this and must understand basically that people have been-I am going to say it very candidly—ill-served by the educational system. We must use these programs to fill a void which exists.

So, I think that we must continue some of the directions that have started but with much more specific directions than have flowed from Washington thus far.

On the latter point you made, clearly I must say to you that those people—it has been said many times here today; I can only amplify and repeat it—those people who need these services should be the primary beneficiary of those services. In the earlier days of CETA, CETA was spread too thin. It was a political program used to serve all kinds of irrelevant ends. In the last 2 years, since the 1978 reauthorization, there has been much more of an effort to direct and target these programs to people who are structurally and chronically unemployed. I think that is where our emphasis should go. I think it should be dramatically emphasized at that level. And that would be the recommendation I would make to this committee.

Senator QUAYLE. Do other panel members want to contribute to those two questions?

Mr. CUNNINGHAM. I think that said it all.

Senator QUAYLE. Thank you very much. The bells have gone off on the second ones. If I do not get going, I am going to be late. Thank you very much.

I would hope that you would continue to work with us in a very close relationship. We are going to be going around the country and having hearings. We are just beginning this process. I know you all have been intimately involved in it. I certainly appreciate your work and giving us some firsthand knowledge and some guidance because we have some tough decisions to make. You can see through the discourse that we cannot do perhaps as much as we would like to do. Everybody would like to do much more. We are in a time of limitation of resources. We are in a time of defining what the role of the Federal Government is. We are defining what the obligations and the civic responsibilities of our private sector are. You brought up education. They are all interrelated. They are all very fundamental to our society. It is something that we are going to be working with over this next year and, hopefully, come up with progressive legislation that will have bipartisan and universal support.

I thank you very much. The committee will be in recess for several minutes.

[Recess taken.]

Senator **Quayle**. The committee will come to order.

We will pick up where we left off, with Lynda Hart.

STATEMENT OF LYNDA HART, DIRECTOR, ALABAMA OFFICE OF EMPLOYMENT AND TRAINING

Ms. **Hart**. Mr. Chairman, I appreciate very much the opportunity to bring an elementary point to your attention. Through other groups we will be talking to you in specific relation to your questions.

Both the Congress and the executive branch have formulated pertinent questions to guide the discussion which must accompany consideration of future direction of employment and training efforts. Basic to that discussion is the philosophical question: Do we, as a nation, still hold to a work ethic? If all matters under consideration can be examined against an affirmative response to that singular question, the rhetoric of the coming months will be indeed productive.

Most certainly that question, if asked around the country, would produce an affirmative response in national unison; evidence, however, indicates otherwise. We pay farmers not to farm, workers not to work; we punish producers and protect nonproducers. As individuals we recognize and cherish the value of work; collectively we have rejected it and have done so for several generations.

And then we ask ourselves: "Have employment and training programs worked?" That is something akin to asking: "Does the Congress work?" It arises quite naturally in relation to CETA because of the billions of dollars and because of the abuse associated with delivery in isolated pockets. It arises more naturally because the vast portion of the funds go to participants rather than operators. The question is a valid one but not if only applied to CETA.

CETA is a catalytic program which evolved in an environment where something obviously did not work as well as it should have. Large groups of people were dropping through the cracks of established systems such as education, employment assistance, et cetera. Those systems had neither the desire nor the ability to respond in a manner compatible with a rapidly changing labor market. Large groups continue to fall through the cracks of traditional inflexible systems. The desire and ability to respond remain illusive.

Little can be served by inter or even intrasystem squabbling. It must be recognized, however, that the employment and training arena must be examined in its entirety. To simply remove CETA or to change CETA will produce little more than a cosmetic effect.

If we can first establish certain philosophical parameters to our task, we can then determine who does what best. We must decide if we as a nation do indeed believe in a work ethic and then establish policy which supports rather than negates that belief. For the most part, the employment and training community has operated in a vacuum with regard to national policy. The CETA system in particular has been subjected to every special interest requirement which has surfaced. The condition has not been altogether negative, however. While it is no way to run a railroad, that condition has allowed coordination and cooperation at the operational level to a greater extent than ever before. I might add that this is something that you cannot truly mandate and hope to achieve by mandate alone. Out of that, valid policy can evolve, depending upon local leadership. Should that leadership be absent, the Congress must recognize that that, too, is a choice of the people at the local level.

Assuming a national acceptance and pursuit of a basic work ethic, the purpose of employment and training efforts should be simply to devise and provide viable alternative choices to those human behaviors which mitigate that ethic—alternatives to unemployment, to welfare, to crime—all of which drain this country of vital resources and drain individual citizens of self-respect. The Government must be cognizant, however, that those are human choices couched in a myriad of social, psychological, and economic environments which vary equally as much as the individuals themselves.

Logically then, the Government must define those alternatives simply as opportunities and leave the response to those opportunities to the individuals for whom they were provided. An adage appropriately illustrative here is one with which we are all familiar: "You can take a horse to water but you can't make him drink." So much depends on his thirst. That adage evolved from human observation of behavior which to this day remains among the most vital research techniques. Assuming choices for individuals or groups of individuals then produces just that: assumptions.

Within the context of a purpose which provides opportunities for alternative choices related to acceptance and pursuit of a work ethic, the appropriate objectives are also rather simple: to place persons who are employable into jobs that already exist; to create for employable persons jobs where they do not exist; to provide training for persons who are not employable; and to fully assess individuals so that realistic decisions may be made regarding the above.

I would have to say that probably that last point relates to why the numbers do not look so good. I think possibly the subcommittee is not aware that prime sponsors were unable to do indepth assessment of people until just this year in the very recent months.

These seem so simple, yet they are so difficult to achieve.

Achievement of the objectives stated here obviously is dependent upon reliable and valid information regarding both the labor market and the individuals participating in that market. Again, I would challenge you that that information must be objective and independent of the agencies it serves. Achievement is equally dependent upon economic recovery and increased productivity in the marketplace and upon incentives to the private sector in a whole host of arrangements. But achievement truly hinges on an arrangement of the contingencies controlling human behavior, that is alternatives that are truly alternatives.

For example, if we want to reduce the unemployment rate, which I see as a measurement rather than an objective, we cannot make it profitable to be unemployed. And we must recognize and understand that what we consider profitable may be entirely extreme for vast segments of our population. If we want a reduction in welfare dependency—again a measurement—we must target training to areas which produce ability in jobs with salaries which are more profitable than welfare payments.

The Government, specifically the Congress, can play a vital role by creating incentives and eliminating disincentives to work, for businesses, for industry, for employed persons, for unemployed persons and underemployed persons, indeed, for all citizens. And, of course, the actions required cut across issues beyond those specific to this discussion.

In our search for appropriate methodology, we must benefit from the lessons of the past two decades and the millions of tax dollars invested in those lessons. Each of the major elements in the present system have viable contributions to make, but each must be willing to give up that which is nonproductive within their own construction. Each of these elements, specifically the employment security system, the vocational education system, and I have included the vocational rehabilitation system, must be subjected to the identical rigorous examination as that for the CETA system. Only then can the productive be extracted for future use and the counterproductive eliminated.

Beyond self-examination, the search must focus also on the users, the private sector, and not on our perceptions of that sector nor on the perceptions of superficial groups representing that sector. We are, in essence, developing a human product whose talents and abilities will be purchased. It is conceivable that the purchaser's expectations can be significant to product development.

The CETA system has an outstanding, at least in Alabama, entree into the type of market analysis required for product development via its private industry councils. I would urge the Congress to seek these out in an advisory capacity. I understand you have done so.

The success of any system is entirely dependent upon the consistency of its management and the nature of its output. You cannot rationally focus efforts on groups of people with the most difficult problems and expect successful outcomes measured in the same terms that you measure groups with the least difficult problems. Nor do outcomes require radically differing measures. That, however, is precisely the irrational methodology to which the CETA system has been subjected.

National targeting, along with inconsistent funding, has contributed significantly to the negative outcomes of CETA, both in relationship to the numbers and the public's perception of the program. The most important factor in targeting is the reaction of the vast majority of the citizenry: it just plain makes them mad. In many instances where the irrational characteristics of targeting are most obvious, it quite likely leads to fraudulent eligibility determinations.

Perhaps we should be reminded that the original intent of CETA was to extend decisionmaking and problem-solving to the level at which the problems occur. If local leadership does not respond to that responsibility in the manner expected by the taxpayers, we already have in place a process which addresses such transgressions. With the exception of the 14- to 17-year-old CETA eligible youth, all other presently eligible groups are equally eligible to vote.

Finally, I would challenge you to examine the constraints to the entire employment and training community. The CETA system, as a viable decentralization thrust, has never actually been accomplished. The regulatory requirements and peculiarities in appropriations have successfully recategorized and functionally restrained it. Yet, while largely antidotal, it has produced significant individual successes. It is a system which is subjected to formative assessment and resultant modification, a condition which, if applied across all systems, can produce the flexibility and accountability desirable for Government expenditures. And, when measured against the cost of alternatives which range from $16,000 to $20,000 per individual, it is a proud system.

I am grateful for the opportunity to share these thoughts of a general nature with the subcommittee. Our State, its leadership and its citizens stand ready to assist you in any manner you deem appropriate throughout your considerable task and deliberations.

Senator Quayle. Thank you very much.

You can be of help. You can start right now to give us some direction as we go through and reevaluate CETA. Where should we be focusing to improve the system? There are obviously defects. You can address that from firsthand experience. Where should we be focusing our attention?

Ms. Hart. For one thing, I think you should somehow come up with regulations or deregulations, I might say, which allow us to use whatever system at the local level does that job best, and let that be a local decision. For instance, there is an awful lot of emphasis on using the employment service. You asked a question earlier today why are the two systems not combined. If the employment service, for instance, is the best deliverer of that service in a particular locality, then let us use them. But, if they are not, let us seek an alternative, not necessarily ourselves in operating.

You cannot determine how local personalities are going to deal with problems. Much of the problem in education, for instance, in Alabama is that your local education agencies are autonomous. So, you can sit there at the State level and make all kinds of rules and regulations, but those people are going by local elected boards; and they are not going to listen to that kind of thing. So, you must take into consideration who is the best person or groups of people at the local level to do that kind of thing. If you are talking about the population group, which population group we should concentrate on, I do not think you should limit us there either. I think we certainly should have some targeting on the structurally unemployed. But in rural Alabama a lot of people who are not considered structurally unemployed need CETA services. We are really a fairly good system, I guess, when you consider the diversity across the Nation and among localities. The system really has produced quite well when you consider those diversities and allow us to make those kinds of decisions which impact at the local level.

Senator Quayle. Do you think we can consolidate some of these programs: employment service, CETA, vocational education? Do they tend to overlap and duplicate? If you look at efficiency, it seems to me that we might be able to move toward some sort of consolidation.

Ms. HART. I would not rule it out, but I think you would really have to explore it. Of course, that is what we are doing in many groups that I belong to, looking at how we can do things like that.

I think it is essential, though, that someone in a State or locality—for instance, I think a Governor would be smart if he followed the same deployment system within the State that the Federal Government follows, the prime sponsorship. I also agree that it should focus on labor market areas rather than to any geopolitical kind of thing. But I think there must be some central focus of leadership. That could be the employment and training council. Or it could be a newly created council. But it is going to depend on local people and their commitment to that.

Senator QUAYLE. Thank you very much.

Next we have from New York, Mr. Ron Gault; accompanied by Kathryn Spellman.

STATEMENT OF RONALD T. GAULT, COMMISSIONER, NEW YORK CITY DEPARTMENT OF EMPLOYMENT, ACCOMPANIED BY KATHRYN SPELLMAN

Mr. GAULT. My name is Ron Gault. I am the Commissioner of the Department of Employment. On my left joining me at the table is a senior staff member from the Department of Employment, Assistant Commissioner Kathryn Spellman.

I have a prepared statement. For the sake of time, I would like to have it entered into the record. I will offer instead a few brief summary statements and points and make myself available to answer any questions or address any concerns that you would like me to address and answer.

Much of what I have said will be directed at the notice of these hearings which appeared on May 19 in the Congressional Record. I think the questions that were raised in that notice of hearings set the stage for an important set of discussions in New York City as well as throughout the rest of the country.

I certainly welcome and appreciate this opportunity to appear before you.

There are four essential points that I want to speak to and have as a part of the written testimony entered into the record. The first one is that employment and training resources should be targeted to the economically disadvantaged and the low-income structurally unemployed with an aim to increase skill level through our training programs and to enable participants to secure permanent unsubsidized employment. That is one of the points that I want to underscore and emphasize.

The second major point is one which has caused some great exchange and dialog within the employment and training communities as well as among elected officials around the country. Resources should be targeted to areas of chronic unemployment. I think that is an imperative. I think the experience that we have seen throughout the last 7 or 8 years makes a clear case for this kind of targeting of resources.

The kind of machinations that the Department of Labor has had to go through on an annual basis offers clear and convincing proof, I think, of the need and the wisdom of this kind of targeting of resources.

The third point is that grants should continue to be locally administered but with greater flexibility through—and this is a new phrase for the lexicon of employment and training—generic consolidation so that localities can assess their needs and determine cost-effective strategies to meet them. Maximum flexibility should be provided to determine appropriate program mix, including cost-containment measures such as welfare employment initiatives.

There are several points that I can address when we turn to your questions that I think again make a clear and convincing case for this kind of local flexibility, a flexibility which I have characterized in New York City as being one that would call for generic consolidation.

The fourth and final point is that resources should be targeted to maximize job results. Employment and training policy can succeed only to the extent that there are job opportunities. Much of this is axiomatic and very straightforward. Therefore, it is crucial to involve the private sector in a meaningful partnership. I have several examples that I can point to of our experiences in New York City that, hopefully, will be instructive to you and members of your subcommittee.

National employment and training policy has increasingly stressed training and transitional employment and an increased role for the private sector. I think the kind of experiences that I can address when we turn to the Q. & A. will give further support to the points that I mention.

That is essentially the short list of major points that the written testimony, which I hope you will include in your record, will address.

Senator **Quayle**. It will be included in the record, and I appreciate your summarizing your testimony.

[The prepared statement of Mr. Gault follows:]

SENATE SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY
TESTIMONY

RONALD T. GAULT
NEW YORK CITY
DEPARTMENT OF EMPLOYMENT
JUNE 18, 1981

MY NAME IS RONALD T. GAULT, COMMISSIONER OF THE NEW YORK CITY DEPARTMENT OF EMPLOYMENT.

I AM HAPPY TO BE HERE TODAY TO DISCUSS THE FUTURE OF EMPLOYMENT AND TRAINING POLICY. IN DOING SO, I HAVE A BRIEF STATEMENT WHICH WILL HIGHLIGHT SOME OF THE CRUCIAL POLICY AND PROGRAMMATIC ISSUES FACING US DURING THIS PERIOD OF SHRINKING RESOURCES AND BEFORE US IN REAUTHORIZATION.

EMPLOYMENT AND TRAINING POLICY GOALS

THE REAGAN ADMINISTRATION HAS PROPOSED RADICAL CHANGE IN EMPLOYMENT AND TRAINING POLICY AND RESOURCE ALLOCATION THROUGH SUBSTANTIAL REDUCTIONS IN FUNDING LEVELS FOR FEDERAL FISCAL YEARS (FFY) 1981 AND 1982. DURING THIS PERIOD OF CONTRACTION IN FEDERAL RESOURCES, IT BECOMES CRITICAL TO TARGET AVAILABLE FUNDS IN ORDER TO MAXIMIZE JOB PLACEMENT. I BELIEVE THERE ARE FOUR BROAD POLICY GOALS WHICH WILL MAINTAIN OUR COMMITMENT TO EMPLOY THOSE ABLE AND WILLING TO WORK.

1. EMPLOYMENT AND TRAINING RESOURCES SHOULD BE TARGETED TO THE ECONOMICALLY DISADVANTAGED AND LOW INCOME STRUCTURALLY UNEMPLOYED WITH AN AIM TO INCREASE SKILL LEVEL THROUGH OUR TRAINING PROGRAMS AND TO ENABLE PARTICIPANTS TO SECURE PERMANENT UNSUBSIDIZED EMPLOYMENT.

2. RESOURCES SHOULD BE TARGETED TO AREAS OF CHRONIC UNEMPLOYMENT.
3. GRANTS SHOULD CONTINUE TO BE LOCALLY ADMINISTERED BUT WITH GREATER FLEXIBILITY THROUGH GENERIC CONSOLIDATION SO THAT LOCALITIES CAN ASSESS THEIR NEEDS AND DETERMINE COST EFFECTIVE STRATEGIES TO MEET THEM. MAXIMUM FLEXIBILITY SHOULD BE PROVIDED TO DETERMINE APPROPRIATE PROGRAM MIX, INCLUDING COST CONTAINMENT MEASURES SUCH AS WELFARE EMPLOYMENT INITIATIVES.
4. RESOURCES SHOULD BE TARGETED TO MAXIMIZE JOB RESULTS. EMPLOYMENT AND TRAINING POLICY CAN SUCCEED ONLY TO THE EXTENT THAT THERE ARE JOB OPPORTUNITIES; THEREFORE, IT IS CRUCIAL TO INVOLVE THE PRIVATE SECTOR IN A MEANINGFUL PARTNERSHIP. NATIONAL EMPLOYMENT AND TRAINING POLICY HAS INCREASINGLY STRESSED TRAINING AND TRANSITIONAL EMPLOYMENT AND AN INCREASED ROLE FOR THE PRIVATE SECTOR. EMPLOYMENT AND PRODUCTIVITY RESULTS SHOULD CONTINUE TO BE OUR PRIMARY FOCUS.

TARGET RESOURCES TO THE DISADVANTAGED AND AREAS OF HIGH UNEMPLOYMENT

BECAUSE OF THE SCARCITY OF RESOURCES, IT IS NECESSARY TO TARGET OUR EFFORTS TO THE ECONOMICALLY DISADVANTAGED WITH JOB PLACEMENT AS THE PRIMARY FOCUS. THE DOLLARS AVAILABLE WILL

CONSTRAIN OUR ABILITY TO SERVE ALL THOSE IN NEED. THE REAGAN ADMINISTRATION'S POLICY PREFERENCE FORCES US TO BE MORE OUTCOME ORIENTED AND THUS WE WILL BE UNABLE TO SERVE THOSE SEGMENTS OF THE POPULATION THAT PERFORM LESS SUCCESSFULLY IN EMPLOYMENT AND TRAINING PROGRAMS. IT IS IMPORTANT FOR CONGRESS AND THE REAGAN ADMINISTRATION TO UNDERSTAND THAT AS DOLLARS SHRINK IN EMPLOYMENT AND TRAINING, INCREASED WELFARE AND OTHER INCOME TRANSFER COSTS WILL RESULT. TARGETING GRANTS TO DISTRESSED AREAS MARKED BY CHRONIC UNEMPLOYMENT AND HIGH WELFARE DEPENDENCY MAY OFFSET THE HIGH DEMAND FOR SERVICES AND CORRECT LABOR MARKET DISEQUILIBRIUMS.

LOCAL ADMINISTRATION

I BELIEVE OUR CURRENT SYSTEM OF PRIME SPONSOR SERVICE DELIVERY - LOCAL PLANNING, PROGRAM DESIGN AND GRANT MANAGEMENT - HAS PROVEN COST EFFECTIVE AND MOST RESPONSIVE TO THE BASIC AUTHORIZATION AND RESOURCE ALLOCATION DECISIONS MADE AT THE CONGRESSIONAL AND EXECUTIVE OFFICE LEVELS.

LOCAL ECONOMIC CONDITIONS AND POPULATION NEEDS MUST DETERMINE TO A GREATER EXTENT THE EMPLOYMENT AND TRAINING APPROACH APPLIED TO SPECIFIC POPULATIONS. INCREASED LOCAL FLEXIBILITY TO MATCH PARTICIPANT NEED AND SERVICE DELIVERY WITHIN AVAILABLE RESOURCES, WOULD RESULT IN THE OPTIMUM MANAGEMENT OF THESE GRANTS. NEW YORK CITY'S EFFORTS WITH YOUTH AND WELFARE

RECIPIENTS OFFER EXAMPLES OF LOCAL INITIATIVES AND COST CONTAINMENT STRATEGIES.

YOUTH

THE OFFICIAL NEW YORK CITY YOUTH UNEMPLOYMENT RATE IN 1980 WAS 28.3% WITH NON-WHITE UNEMPLOYMENT AT 38.1%. THE NATIONAL RATES WERE STAGGERINGLY HIGH AT 19.3% WITH 35.8% NON-WHITE. THESE FIGURES AS HIGH AS THEY ARE, FAIL TO REPRESENT THOSE YOUNG PEOPLE WHO HAVE GIVEN UP THE OFTEN FRUITLESS AND FRUSTRATING SEARCH FOR EMPLOYMENT. IF THESE YOUTH WERE INCLUDED IN THE OFFICIAL STATISTICS, THE UNEMPLOYMENT FIGURES WOULD PROBABLY DOUBLE. THE YOUTH EMPLOYMENT RATE IS 25% IN NEW YORK CITY, HALF THE NATIONAL RATE OF OVER 50%. THE CHRONIC PROBLEM OF YOUTH UNEMPLOYMENT AND VARYING LOCAL LABOR MARKET PARTICIPATION RATES POINT TO THE NEED FOR A NATIONAL YOUTH EMPLOYMENT POLICY WITH THE PROGRAM STRATEGY DETERMINED BY LOCALITIES.

BECAUSE OF SCARCE RESOURCES IN FFY'82, NEW YORK CITY WILL FOCUS ON OLDER OUT-OF-SCHOOL YOUTH WITH EMPLOYMENT AS A FINAL GOAL. WE HAVE FOUND THAT A MIX OF CLASSROOM TRAINING AND WORK EXPERIENCE PRODUCES BETTER LONG-TERM PERFORMANCE RESULTS FOR THIS POPULATION. CONCURRENTLY, THE DEPARTMENT WILL URGE THE BOARD OF EDUCATION AND OTHER LOCAL EDUCATIONAL INSTITUTIONS TO FOCUS THEIR ACTIVITIES AND RESOURCES ON YOUNGER IN-SCHOOL YOUTH.

WELFARE INITIATIVES

EMPLOYMENT AND TRAINING PROGRAMS SHOULD BE USED BOTH TO REDUCE THE COST OF INCOME TRANSFER PROGRAMS, I.E., WELFARE, AND TO PROMOTE FINANCIAL SELF RELIANCE AMONG FORMER RECIPIENTS. NEW YORK CITY'S AGGRESSIVE WELFARE-EMPLOYMENT INITIATIVES HAVE SHOWN PARTICULAR PROMISE IN DEVELOPING SKILLS AND BUILDING STABLE WORK HISTORIES FOR THOSE WITH EXTREME BARRIERS TO EMPLOYMENT. EARLY 1981 DATA SHOWED THAT 6,400 OR 58% OF THE PUBLIC SERVICE EMPLOYMENT (PSE) JOBS WERE FILLED BY PUBLIC ASSISTANCE RECIPIENTS. ELIMINATION OF PSE CAME AT A CRITICAL TIME WHEN NEW YORK CITY'S WELFARE TO WORK EFFORTS HAD SHOWN POSITIVE RESULTS AND FURTHER IMPROVEMENTS WERE BEING IMPLEMENTED. THREE-QUARTERS OF WELFARE RECIPIENTS WHO ACTUALLY ENROLLED IN CETA COMPLETED THE PROGRAM'S FULL 18 MONTHS AT AN AVERAGE SALARY OF $9,500. GIVEN THE EMPLOYMENT HANDICAPS OF WELFARE RECIPIENTS (LOW EDUCATION AND SKILLS, POOR WORK HABITS), THIS RETENTION RATE IS IMPRESSIVE AND IS CONSISTENT WITH NATIONAL EXPERIENCE.

1980 TITLE IIB DATA SHOWED THAT THE MOST SIGNIFICANT FINDING IS THAT THE GAP BETWEEN WELFARE AND NON-WELFARE PERFORMANCE RATES WAS NARROW. SIXTY-TWO PERCENT (62%) OF THE NON-WELFARE POPULATION WAS PLACED IN UNSUBSIDIZED JOBS OUT OF AN OVERALL POSITIVE TERMINATION RATE OF 66% COMPARED TO A 45% PLACEMENT RATE OUT OF 50% TOTAL POSITIVE TERMINATIONS FOR THE WELFARE POPULATION. WITHIN THE WELFARE POPULATION THE AFDC POPULATION HAD A PLACEMENT RATE OF 45% AND A TOTAL POSITIVE TERMINATION RATE OF 60%. DIFFERENCES IN DEMOGRAPHIC CHARACTERISTICS AMONG THE POPULATION MAY ACCOUNT FOR PART OF THE DISCREPANCY. ONE

FACTOR TO NOTE WAS THAT THE NON-WELFARE POPULATION WAS MORE EDUCATED THAN THE WELFARE POPULATION.

THE TYPE OF PROGRAM ALSO HAD A STRONG INFLUENCE ON PERFORMANCE WITH ON-THE-JOB TRAINING AND CLASSROOM TRAINING BEING THE MOST SUCCESSFUL. THESE RESULTS LEAD US TO BELIEVE THAT WELFARE RECIPIENTS ARE A PROMISING POOL OF CETA RECRUITS. WE ARE CURRENTLY EXPLORING OTHER STRATEGIES TO INCREASE WELFARE PARTICIPATION SUCH AS:

- COORDINATING DAY CARE FOR AFDC RECIPIENTS ENROLLED IN TRAINING PROGRAMS.
- EXPLORING A PIC - BUSINESS APPROACH IN ORDER TO BREAK STEREOTYPIC IMAGES THAT LIMIT THE EMPLOYMENT OF WELFARE RECIPIENTS.
- IDENTIFYING OCCUPATIONS AND INDUSTRIES THAT MIGHT HAVE THE MOST POTENTIAL IN TRAINING AND PLACEMENT OF WELFARE RECIPIENTS.

ROLE OF THE PRIVATE SECTOR

WE BELIEVE THAT ACTIVE PRIVATE SECTOR PARTICIPATION IS CRUCIAL TO THE SUCCESS OF EMPLOYMENT AND TRAINING PROGRAMS. OVER THE NEXT YEAR, NEW YORK CITY WILL STRENGTHEN AND BUILD ON EXISTING RELATIONSHIPS WITH THE PRIVATE SECTOR.

THE NEW YORK CITY PARTNERSHIP, INITIATED BY DAVID ROCKEFELLER, IS A CONSORTIUM OF LEADING BUSINESSES WORKING WITH NEW YORK CITY ON EMPLOYMENT PROBLEMS. AS A FIRST PROJECT, THE PARTNERSHIP FOCUSED ON YOUTH EMPLOYMENT AND HAS DEVELOPED 13,600 SUMMER JOBS TO ENHANCE THE CITY'S SUMMER JOBS PROGRAM FOR POOR YOUTH. DISCUSSIONS ARE CURRENTLY UNDERWAY TO DETERMINE HOW PARTNERSHIP RESOURCES CAN BE UTILIZED IN YEAR-ROUND EFFORTS.

ANOTHER SUCCESSFUL MEANS OF WORKING WITH THE PRIVATE SECTOR IS THROUGH A PRIVATE SECTOR INITIATIVE APPROACH, TITLE VII, BECAUSE IT ENCOURAGES INVOLVEMENT IN THE DESIGN AND OPERATION OF TRAINING PROGRAMS AIMED AT PLACEMENT IN UNSUBSIDIZED JOBS. UNDER THE REVIEW OF DOE, THE PRIVATE INDUSTRY COUNCIL (PIC) IS THE LEGISLATED PARTNERSHIP FOR BUSINESS, LABOR AND COMMUNITY ORGANIZATIONS RESPONSIBLE FOR TITLE VII ACTIVITIES. NEW YORK CITY'S PRIVATE INDUSTRY COUNCIL IS NATIONALLY KNOWN FOR THE "DEMONSTRATION" AND "MODEL" ASPECTS OF ITS ACCOMPLISHMENTS. THE FOLLOWING ARE EXAMPLES OF INNOVATIVE PROGRAMS: THE CLEARINGHOUSE BANKING INSTITUTE PROGRAM PROVIDES TRAINING FOR CLERK-TYPISTS FOR BANK POSITIONS. THE MOST RECENT DATA SHOWS A 72% OVERALL PLACEMENT RATE. THE WESTINGHOUSE HIGH SCHOOL PROGRAM WAS CREATED BY ENLISTING THE TALENTS OF AN EMPLOYER ADVISORY COMMITTEE TO DESIGN THE CURRICULUM AND PROPOSE MACHINERY UPGRADING FOR AN ELECTRONICS MANUFACTURING PROGRAM. THE SECURITIES INDUSTRY PROGRAM, UNDERTAKEN WITH

AMEX, CHEMICAL, PAINE WEBER TRAINS PARTICIPANTS TO WORK AS STOCK TRANSFER CLERKS. ANOTHER HIGHLY INNOVATIVE PROGRAM IS THE PIC'S VOLUNTARY PWP EFFORT. AS OF FEBRUARY, 1981,10% OF ENROLLEES IN PIC PROGRAMS ARE PWP'S. PIC WILL RESERVE ONE-THIRD OF ALL INTERVIEW SLOTS FOR WELFARE RECIPIENTS IN CLASSROOM TRAINING. DOE WILL STRENGTHEN THE ROLE OF PIC IN ESTABLISHING INNOVATIVE MODELS THAT CAN BE REPLICATED AND THEN TRANSFERED TO OTHER CONTRACTORS IN THE EMPLOYMENT AND TRAINING COMMUNITY.

CONCLUSION

EXPANSION OF BUSINESS OPPORTUNITIES, A PRIMARY OBJECTIVE OF CONGRESS AND THE REAGAN ADMINISTRATION, WILL REQUIRE A TRAINED LABOR FORCE. A SUBSTANTIAL SEGMENT OF THE AVAILABLE LABOR FORCE, THE CURRENTLY UNEMPLOYED, IS UNSKILLED, UNTRAINED AND POORLY EDUCATED. EMPLOYMENT AND TRAINING PROGRAMS FILL PART OF THAT GAP BETWEEN LABOR DEMAND AND HUMAN CAPITAL. WE HAVE NUMEROUS STRATEGIES WHICH SHOULD BE INCLUDED IN OUR ARSENAL TO SUCCESSFULLY COMBAT UNEMPLOYMENT, WELFARE DEPENDENCY AND LOW EMPLOYMENT PRODUCTIVITY. SOME OF THE STRATEGIES I HAVE DISCUSSED TODAY INCLUDE:

- TARGETING RESOURCES TO THE ECONOMICALLY DISADVANTAGED IN AREAS OF CHRONIC UNEMPLOYMENT.
- LOCAL ADMINISTRATION AND IMPLEMENTATION OF BROAD NATIONAL POLICY GOALS
- A CAREFULLY STRUCTURED TRAINING AND PLACEMENT PROGRAM TO MATCH PARTICIPANT NEED WITH LOCAL

MARKET DEMAND IN ORDER TO MAXIMIZE JOB RESULTS
- COST CONTAINMENT STRATEGIES SUCH AS WELFARE-TO-WORK INITIATIVES
- PROMOTION OF AN ACTIVE PRIVATE SECTOR PARTNERSHIP.

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Senator QUAYLE. Thank you very much.
Next we have from Philadelphia, Mr. Willie Johnson.

STATEMENT OF WILLIE F. JOHNSON, EXECUTIVE DIRECTOR, OFFICE OF EMPLOYMENT AND TRAINING, THE CITY OF PHILADELPHIA

Mr. JOHNSON. Thank you, Mr. Chairman. My name is Willie Johnson. I am the executive director of the city of Philadelphia's Office of Employment and Training. I want to state for the record, Mr. Chairman, that there was another Willie Johnson from the State of New York, and that individual is not the same as the individual from the city of Philadelphia.

The city of Philadelphia CETA program serves between 35,000 and 40,000 persons a year. Since Philadelphia has one of the highest youth unemployment rates in the Nation among black and Hispanic youth, a major portion of the funding is spent on youth programs. We have offered programs in previous years under all of the CETA titles, with an annual budget of approximately $85 million.

The Philadelphia CETA program is an integral part of the city's economic development activities and as a prime sponsor we stress coordination with local business, industry and labor organizations. One of the more successful programs using CETA resources in conjunction with Budd Co., a local railcar company, provided development and retraining opportunities for eligible individuals.

I greatly appreciate the opportunity to present the views of the city of Philadeplhia before the subcommittee today.

In our opinion there should be three basic objectives in our national training and employment policy. First, it should assist those individuals who, without the intervention of Government, would face major barriers to obtaining and sustaining employment. Second, it should assist businesses and industries in obtaining skilled, trained workers. Third, we should insure that no groups are excluded from the employment and training mainstream so as to avoid creating—especially in urban areas—a permanent underclass.

It is the role of Government through its prime sponsor to balance these competing interests. This can be done only if the Nation's employment and training policy is truly comprehensive, locally administered, which sufficient funds and administrative flexibility to address local needs. The new system should not be dictated nationally as it is now, but should allow localities to structure the delivery system that works best on a local level, be that a prime sponsor or a public/private partnership or a subdivision of a statewide employment and training system.

It is a positive sign that this committee is seeking a clear definition of the role of employment and training programs within a national agenda. One of the limitations that all CETA prime sponsors have had to work within is that there have been few actual definitions provided for us and those that were provided tended to change with each new Congress and each new administration.

In the Philadelphia program, we judge our effectiveness on the basis of our broad goals that essentially define our mission. They are: One, to target services to persons most in need of CETA training and employment programs; two, to facilitate the delivery of services to persons who are CETA-eligible through improved management and innovative program design; three, to strengthen the transition of CETA participants into unsubsidized employment; and, four, to increase cooperation with organizations, groups, and agencies which are concerned about employment and training activities.

Of these four goals, only one may not necessarily be compatible with the future direction of national employment and training policy. Our CETA program has been targeted to those most in need, those who without the intervention of the Government would probably remain completely outside the economic mainstream. Currently, more than 60 percent of the clients we serve through CETA come directly from the welfare rolls. Many cannot read and write at the levels employers demand. Many have sketchy or nonexistent work histories. Many have physical or mental handicaps. Many have prison records. This is what we mean when we say most in need.

It is a difficult task to get individuals who have barriers of this magnitude to be competitive in job-seeking situations. It is even more difficult in communities such as Philadelphia, where jobs are at a premium and where employers have their choice of applicants who have few if any identifiable barriers. Obviously, if the new direction for employment and training stresses the highest placement for the lowest outlay of funds to the exclusion of other factors, then CETA programs will have to focus their attention on those economically disadvantaged and unemployed persons who can be helped with minimum governmental intervention. While this approach may be cost effective, it does not, adequately address the Nation's responsibility to those who are truly most in need of assistance. If we move to a placement-oriented system, it must not be at the expense of individuals who have major barriers to employment. Serving this group is essential if we are to meet one of the key purposes of employment and training programs—to prevent the creation of a permanent underclass.

We feel that special funds should be targeted to large, older cities using a formula that is based on unemployment rates, especially among minorities, and public assistance caseloads. Although the Federal Government should not dictate specific mandates for youth, local governments should be required to provide feedback on their services to youth as a part of the employment and training planning process. Separate sets of performance standards and associated costs should be established for particularly difficult-to-serve populations. Prime sponsors should be able to use a portion of available resources to serve those with the most barriers to employment without suffering penalties for exceeding costs or failing to meet placement levels that may not be realistic or appropriate for this population.

For a year and a half, I have administered one of the largest CETA prime sponsors in the Nation. Prior to my tenures, I spent a great deal of time researching the history of CETA. Based on my experiences, my conversations with other CETA directors and my research, I feel comfortable in saying that CETA has worked, based on what it was designed to do and what it was allowed to do.

The mandated role of CETA is to train unemployed and underemployed individuals to fill available jobs in the public and private sector. The thousands of Philadelphia residents who are now productive, taxpaying citizens as a result of their involvement in the CETA programs are evidence that CETA has largely met its responsibilities as defined in the act.

We believe CETA has been judged unfairly in areas that CETA was never intended to address, those areas that are clearly inconsistent with CETA's purpose. For example while CETA was intended to create some short-term jobs, it was not empowered to create permanent employment opportunities in the private sector. Long-term unemployment is largely a result of industry relocating out of communities, high interest rates, increased automation (which eliminates many low-skill-level jobs) and many other factors which the CETA program can not effect.

The public service employment program has also been judged unfairly. When viewed as a way of providing public services to communities while simultaneously assisting individuals in becoming job ready, the costs associated with the public service employment become more reasonable, particularly when you compare the costs to the less expensive training programs which have the single function of preparing participants for the job market. Hiring former welfare recipients to clean streets that would otherwise be dirty and hiring disabled veterans to monitor subway concourses that would otherwise be left unguarded may seem like make-work to some. But, for those of us who live in the Nation's cities, those jobs and others like them provided valuable services and gave the men and women who performed them a sense of dignity because they were working and earning their own way instead of remaining on public assistance.

From our vantage point, the workfare approach that is currently being discussed is simply public service employment in disguise. It is a punitive and ultimately more costly alternative to public service employment. Under this program, individuals who provide services to the community in return for income maintenance will not develop the sense of dignity that comes from being employed. We oppose that.

A third area that has merited considerable discussion by this committee and others is whether CETA has been successful in placing participants in private sector jobs. It is important to recognize that many of the difficulties in this regard have stemmed from the CETA legislation and the implementing regulations.

The continually changing mandates and target populations, the fluctuations of dollars, and the often conflicting regulatory requirements, have made CETA a four-letter word among businesses, large and small. It is our hope that by providing employment and training funds to local governments as block grants, Congress will allow us more flexibility in designing programs that do not burden private employers with redtape. Furthermore, funds should be provided to local governments on a multiyear basis allowing employment and training activities to be linked more effectively to long-term economic development and business planning.

It has been difficult under the existing CETA system to commit funds to a business activity that may not get under way for another year or two. Yet, without this ability, the usefulness of CETA or any other employment and training program to the private sector is limited.

Mr. Chairman, in the body of my statement I have outlined a number of crucial issues and offered some recommendations. I understand those will be a part of the record.

Senator QUAYLE. We will include those in the record, without objection.

Mr. JOHNSON. I have one other point and I will conclude. I would like to discuss the subject of block grants.

We have two thoughts on block grants. First, we believe that a block grant approach is a better approach than the categorical grant approach. However, we think there is a risk that youth programs will be sacrificed to provide for services to adults. We think that the law should include a provision requiring prime sponsors to include services to youth as part of their program.

Second, we would not support a block grant being administered totally by the State. Our experience indicates that it would work to the detriment of prime sponsors and localities. We have included some examples in our testimony.

That ends my testimony, Mr. Chairman. I am available to answer questions if you have any.

[The prepared statement of Mr. Johnson follows:]

TESTIMONY BEFORE
THE COMMITTEE ON LABOR AND HUMAN RESOURCES
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

BY

OFFICE OF EMPLOYMENT AND TRAINING
CITY OF PHILADELPHIA

JUNE 18, 1981

William J. Green, Mayor
City of Philadelphia

Willie F. Johnson, Executive Director
Office of Employment and Training

OPENING STATEMENT BEFORE THE SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

JUNE 18, 1981

Mr. Chairman, members of the Subcommittee on Employment and Productivity of the United States Senate, staff and observers, my name is Willie F. Johnson and I am Executive Director of the Office of Employment and Training which administers Comprehensive Employment and Training Act funds for the City of Philadelphia.

Our CETA program serves between 35,000 and 40,000 persons a year with a major portion of our dollars going to serve youth since Philadelphia has one of the highest youth unemployment rates in the nation, especially among Black and Hispanic youth. We offer programs under CETA Titles II, III, IV, VI and VII with an annual budget of approximately $85 million.

The Philadelphia CETA program is an integral part of the City's economic development activities and as a prime sponsor we stress coordination with local business and industry and with labor organizations. Indeed, a number of our most successful programs, such as railcar retraining project with the Budd Company and the United Auto Workers, and a health care upgrading and retraining program involving a number of area hospitals and the Hospital and Health Care Workers Union 1199C, link government with both union and management to create employment opportunities for the economically disadvantaged.

Speaking for the City of Philadelphia, I greatly appreciate the opportunity to provide this testimony for your Senate subcommittee today.

There are three basic objectives of national training and employment policy as we see it:

(1) To assist those individuals who without the intervention of government would face major barriers to obtaining and sustaining employment.

(2) To assist businesses and industries in obtaining skilled, trained workers.

(3) To assist the entire community by assuring that no groups are excluded from the employment mainstream and that there is not created, especially in our urban areas, a permanent underclass.

It is the role of local government, through its prime sponsor, to balance these competing interests. This can be done only if the nation's employment and training policy is truly comprehensive and locally directed, allowing sufficient funds and flexibility to communities to adequately address local needs. The new system should not be dictated nationally as it is now, but should allow localities to structure the delivery system that works best on a local level, be that a prime sponsor or a public/private partnership or a sub-division of a statewide employment and training system.

It is a positive sign that this committee is seeking a clear definition of the role of employment and training within a national agenca. One of the limitations that all CETA prime sponsors have had to work within is that there have been few actual definitions provided for us and those that were provided tended to change with each new Congress and each new Administration.

In the Philadelphia CETA program, we judge our effectiveness on the basis of four broad goals that essentially define our mission. They are:

(1) To target services to persons most in need of CETA training and employment programs;

(2) To facilitate the delivery of services to persons who are CETA-eligible through improved management and innovative program design;

(3) To strengthen the transition of CETA participants into unsubsidized employment; and

(4) To increase cooperation with organizations, groups and agencies which are concerned about employment and training activities.

Of these four goals, only one may not necessarily be compatible with the future direction of national employment and training policy. Our CETA program has targeted those "most in need", those who without the intervention of government would probably remain completely outside the economic mainstream. Currently more than 60 percent of the clients we serve through CETA come directly from the welfare rolls. Many cannot read and write at the levels employers demand; many have sketchy or non-existent work histories; many have physical or mental handicaps; many have prison records. This is what we mean when we say "most in need".

It is a difficult task to get individuals who have barriers of this magnitude to the place where they can be competitive in job-seeking situations. It is even more difficult in communities such as Philadelphia where jobs are at a premium and where employers have their choice of applicants who have few if any identifiable barriers. Obviously if the new direction for employment and training stresses the highest placement for the lowest outlay of funds to the exclusion of other factors, CETA programs will have to focus their attention on those economically disadvantaged and unemployed persons who can be helped with minimum governmental intervention. This approach is cost-effective but it does not, in our view, adequately address the nation's responsibility to those who are truly most in need of services. If we move to a placement-oriented center it must not be at the expense of individuals who have major barriers to employment. Serving this group is essential if we are to meet one of the key purposes of employment and training programs--to prevent the creation of a permanent underclass.

We feel that special funds should be targeted to large, older cities using a formula that is based on unemployment rates--especially among minorities--and welfare caseloads. Although the federal government should not dictate specific mandates for youth, local governments should be required to provide feedback on their services to youth as a part of the employment and training planning process. Separate sets of performance standards and associated costs should be established for particularly difficult-to-serve populations so that prime sponsors can use a portion of available resources to serve those with the most barriers to employment without suffering penalties for exceeding costs or not meeting placement levels that history has shown are not realistic or appropriate for this population.

I have administered one of the largest CETA prime sponsors in the nation for a year and a half and I have spent considerable time researching the history of CETA prior to my tenure. Based on my experiences, my conversations with other CETA Directors and my research, I feel comfortable in saying that CETA has worked -- based on what it was designed to do and what it was allowed to do.

The mandated role of CETA is to train unemployed and underemployed individuals to fill available jobs in the public and private sector. The thousands of Philadelphia residents who are now productive, tax-paying citizens as a direct result of their interaction with the CETA system are evidence that CETA has largely met its responsibilities as outlined in the Act.

CETA has been judged, unfairly we believe, in areas that CETA was never mandated to do and that are inconsistent with CETA's purpose. An example of this is the relationship of CETA to the long-term unemployment rate. While CETA had some short-term job creational aspects, it was not empowered to create permanent employment opportunities in the private sector where most of the jobs are. Long-term unemployment is largely a result of moving of industry out of communities, high interest rates, increased automation of low-skill level jobs and other factors completely outside the realm of the CETA legislation.

Public service employment is another area. When viewed as a way of providing public services to communities while simultaneously assisting individuals in becoming "job ready", the costs associated with the public service employment become much more reasonable, even in comparison to the less expensive training programs which have the single function of preparing participants for the job market. Hiring former welfare recipients to clean streets that would otherwise be dirty and hiring disabled Vietnam veterans to monitor subway concourses that would otherwise be left unguarded may seem like "make-work" to many of you. But for those of us who live in the nation's cities, those jobs and others like them provided valuable services and gave the men and women who performed them a sense of dignity because they were working and earning their own way instead of remaining on the public roll.

From our vantage point, the "workfare" approach that is currently being discussed is simply public service employment in disguise. It is a punitive and ultimately more costly alternative to public service employment through which individuals will provide services to the community in return for income maintenance -- but without the sense of dignity that comes from being employed. And we oppose that.

A third area that has merited considerable discussion by this committee and others is whether CETA has been successful in placing participants in private sector jobs. It is important to recognize that many of the difficulties in this regard have stemmed from the CETA legislation and implementing regulations.

The continually changing mandates and target populations, the fluctuation of dollars, the often conflicting regulatory requirements, have all made CETA a four-letter word among businesses, large and small. It is our hope that by providing employment and training funds to local governments as block grants, Congress will allow us more flexibility in designing programs that do not burden private employers with red tape. Furthermore, funds should be provided to local governments on a multi-year basis allowing employment and training activities to be linked more effectively to long-term economic development and business planning. It has been difficult under the existing CETA system to commit funds to a business activity that may not get underway for another year or two. Yet without this ability, the usefulness of CETA or any other employment and training program to the private sector is limited.

It is impossible to address all the crucial issues concerning employment and training in this overview, but I hope that I have touched on many of the key points. Supporting documentation and background on the Philadelphia CETA program are provided in the attached testimony.

TESTIMONY

The Office of Employment and Training, as prime sponsor for the fourth largest city in the nation, is engaged in a number of activities funded under the Comprehensive Employment and Training Act. For the purposes of this testimony, we will highlight three areas:

(1) Intake and assessment which handles the recruitment and enrollment of individuals into our basic Title II-B training programs, our year-round youth programs under Title IV and our Title VII Private Sector program in cooperation with the Private Industry Council of Philadelphia which we fund;

(2) Public Service Employment, which prior to the funding cutbacks earlier this year, comprised approximately 50 percent of the City's annual budget for employment and training activities; and

(3) Summer Youth Employment which is a comprehensive program which serves approximately 20,000 young people each year and is one of the most visible programs operated by the prime sponsor.

Intake

In early 1980, OET staff reviewed the Philadelphia CETA Intake System and compared it to systems in similar cities. The findings of this review were first shared with an intake task force composed of intake staff and training providers and then with community residents at a series of meetings and public hearing held in September and October, 1980. The general conclusion was that OET needed a uniform, client-centered, neighborhood-based intake system with close links to the Office of Employment Security (Job Service), local employers and community-based organizations.

In January, 1981, OET contracted with Temple University's Center for Social Policy and Community Development to implement a redesigned centralized intake system which could provide the broad range of needed services including:

- outreach and recruitment

- orientation
- eligibility determination
- assessment and testing
- career counseling
- referral to other services
- enrollment and training programs; and
- placement for "job ready" individuals

To assure that services remained available during the transition period from the old intake system to the new one, OET arranged for the gradual phase-down of prior sites and the gradual start-up of the Temple Intake Operations. The initial two sites in the redesigned system opened in May, 1981. Additional sites are scheduled to be operational by October, 1981. All sites will be accessible to the handicapped and have Spanish-speaking staff.

Additional support for the intake and assessment process has been provided through the development of PHACTS - the Philadelphia Automated Client Tracking System. This automated information retrieval and decision system went "on line" in early 1981. PHACTS, which was designed for the Philadelphia CETA prime sponsor, will assist OET and Temple in keeping accurate information for use in matching people with suitable training and employment options and for fulfilling the reporting and client tracking requirements of the Department of Labor.

Public Service Employment

A major highlight of the Philadelphia PSE Program during the past year was the cooperative effort involving the Managing Director's Office, the Civil Service Commission, the American Federation of State, County and Municipal Employees (AFSCME), District Council #33 and OET in developing linkages between the CETA-PSE Program and the City's Personnel System.

As a result of this effort, 1,100 long-term CETA workers were spared scheduled lay-offs and instead were transitioned into Civil Service jobs on the City's general fund as of April 1, 1981. An additional 400 CETA City workers will be picked up on the City's payroll on July 1, 1981 to fill vacancies that will become available with the start of the City's new Fiscal Year.

Prior to this landmark agreement, the City's record of transitioning municipal PSEs into permanent jobs had been quite low. This occurred because: (1) the City could not keep those CETA workers who had proven themselves during their tenure as City employees due to Civil Service regulations; and (2) the jobs that the CETA workers had done in City Government were often not transferrable into the private sector. With the implementation of the CETA/Civil Service linkage, Philadelphia's municipal PSE placement rates improved dramatically and are now among the best in the nation.

As a direct result of the City's willingness to negotiate issues regarding CETA workers and fill general fund vacancies with qualified, experienced participants, AFSCME gave union concurrence for the first time in more than two years to new CETA Programs in Municipal Government.

The initial PSE Program was a Summer Adult Employment Program, funded under Title II-D, which employed more than 3,500 men and women during July, August and September, 1980. Under this program, unemployed adults were hired to work for 20 hours per week for the City and for a number of community-based organizations. Jobs included cleaning and sealing abandoned houses and yards, clearing lots, alleys and industrial parks, removing posters and graffitti from City-owned properties, maintenance of Fairmount Park and clerical support.

Based on the success of the summer program, the City hired more than one-third of those who had worked on the Summer Adult Employment Program for a second municipal PSE Program that began in November, 1980. (Others who had worked on the summer program went into CETA-funded training or took Public Service jobs elsewhere in the CETA system.) A key part of the municipal PSE program was a one-day per week classroom training program, funded by OET and conducted under the auspices of District Council #33. The training program taught basic skills and was designed to enhance the participants' future employability.

The reduction of employment funds during March, 1981 fundamentally changed the operation of the PSE Program in Philadelphia and around the nation. Locally, more than 3,300 people were terminated from CETA jobs in early Arpil, 1980 -- 1,100 from City jobs funded under Title VI and 900 from the School District of Philadelphia. In addition, another 1,300 were terminated from non-profit, community-based organizations, under Title II-D.

The nearly 2,000 laid-off CETA workers who were unable to find employment have been the focus of a massive PSE Re-Employment Effort which began with the lay-offs in April, 1981. The aim of the Re-Employment Effort is to locate jobs or training programs that meet the needs of individual participants using a case management approach. As a part of this effort, OET has also contracted with specialists in job search techniques and with training providers who are willing to enroll interested clients in programs at the end of the training period. CETA training providers, the Pennsylvania Office of Employment Security, the Private Industry Council of Philadelphia and the Greater Philadelphia Chamber of Commerce have been especially supportive in this effort by OET to find employment for those workers hardest hit by the CETA budget cuts.

Summer Youth Employment Program

In 1980, CETA funds provided jobs and training opportunities for approximately 17,000 young men and women who met income and other eligibility guidelines under the Mayor's Summer Youth Employment and Training Program. An additional 3,000 summer jobs were obtained from the private sector through the cooperation of the National Alliance for Business (NAB) and the Youth Services Coordinating Office (YSCO). The aim for 1981 is to equal last year's 20,000 jobs for youth with funds provided through CETA, the Commonwealth of Pennsylvania and local businesses.

The 1981 allocation for the summer program, which the City received in April, is $8.3 million as compared to the 1980 grant of $7.3 million. However, because of the rise in the minimum wage from $3.10 in 1980 to $3.35 in 1981 (a rise of just over 8 percent), the base CETA grant can provide jobs for only 15,000 young people this year. The City will be working with private businesses and seeking additional funds to provide the balance.

There are several major changes in this year's summer program:

- The program is now coordinated through OET's Youth Division which was established as part of the agency's reorganization in 1980. The Youth Division also oversees all year-round youth programming.
- The application processes now allows young people returning from the prior year's program to re-enroll early if they still meet the eligibility requirements. (This year, approximately 10,000 returnees from the 1980 Summer Program met the March 9 deadline to re-enroll.)
- The program will target out-of-school, out-of-work youths, 18 and older for intensive work experiences and link those youths with continuing employment and training options.

Summer youth workers are employed at more than 1,000 worksites city-wide which are coordinated through various non-profit, community-based agencies and the School District of Philadelphia. Additional worksites are with City Departments, especially Recreation.

Increased supervision and monitoring along with supplementary activities for counseling, training and placement (where appropriate) are priorities for the 1981 program.

As we look to new direction for CETA, we are proud of our accomplishment under the old system. These accomplishments are reflected in the steps we took to make our intake system more accessible to the clients, our response to the re-employment of those affected by the Public Service Employment phasedown and our services to youth, especially through the Mayor's Summer Youth Employment and Training Program.

Categorical vs. Block Funding

There are two essential debates surrounding funding for employment and training activities. These center on whether the federal funds will be dispersed as categorical or block grants and whether the funding will go to localities as it does now or directly to the states.

Currently, CETA is a nationally directed program which channels employment and training funds to states and localities while allowing the recipients of the funds little flexibility. This is in direct contradiction to the original mandate for CETA, which was passed in 1973 as one of the initial block grants. Prior to CETA, the Federal Government engaged in massive categorical manpower programming. In-depth federal involvement in manpower training began with the Manpower Development and Training Act (MDTA), enacted in 1962, and the Manpower Program Provisions of the Economic Opportunity Act of 1964. Appropriations under these two laws supported more than a dozen different national categorical manpower programs. These included variations under MDTA institutional and on-the-job training provisions, three Neighborhood Youth Corps Programs, four separate Public Service careers programs, Operation Mainstream, Job Corps and the Concentrated Employment Program (CEP). Another categorical program, the Public Employment Program (PEP) was added to the list by the Emergency Employment Act of 1971. Each of these categorical programs had its own client groups, project design, standards and methods of operation. Most of them operated through U.S. Department of Labor Direct Grants and Contracts and there were nearly 10,000 of these with public and private organizations.

While these manpower programs helped large numbers of unemployed and underemployed persons, separate project administration was costly, confusing, duplicative and inefficient. Administration of the programs was widely viewed as unresponsive to the specific needs of particular localities. The problem was that program guidelines written in Washington, D.C., could not possibly foresee the varied situations with which local communities had to contend. Local officials and individuals who sought assistance in this setting were forced to deal with many layers of federal bureaucracy.

CETA removed these basic problems. It provided the path for unified employment and training efforts; it freed City, County and State budgets from fund matching and some types of maintenance of effort encumbrances; and permitted State and local planners and administrators more flexibility in meeting employment and training needs, vesting the power to shape manpower programs in those levels of government closest to the people who need assistance.

The intervening years have brought numerous changes. Categorical programs were added to serve specialized populations. In youth, for example, funds were provided for a variety of targeted youth programs, each requiring a different eligibility and having a slightly different goal. When Congress enacted Public Service Employment, prime sponsors were provided with funds for two distinct Public Service Employment programs, II-D and VI, each with different target populations; and there are other major differences as well. For example, while 5% training was mandated for VI, 20% is mandated for similar programs in II-D and that 20% was for 1981 as compared to 15% for 1980 and 10% for 1979. Because these categorical funding priorities have been established on a national level, localities have not always been able to make maximum use of the funds available. The lack of support for Public Service Employment and the fact that so many localities were unable to fully utilize the PSE funds allocated resulted largely from the fact that the guidelines for PSE were national and allowed little flexibility, especially with Title VI.

Another reason for the transformation of CETA from its original block grant form to its present maze of categorical programs under numerical titles, alphabetical subparts and various combinations of initials has been the public and Congressional perception of CETA as a program that has been fraught with fraud and abuse. Certainly there have been cases where funds have not been handled correctly or where politics have intervened, but those instances have been exceptions. Again, there is the need for a historical perspective. When CETA was launched, the mandate was to get funds out to clients, to start projects, to get results in the shortest possible time. There was no emphasis, during that period, on the establishment of administrative systems at the local, state or federal level to adequately monitor the flow of funds.

Since the 1978 reauthorization of CETA, there has been increased emphasis on management of the employment and training system. Prime sponsors have developed more efficient intake and assessment, management information, financial management, evaluation, grievance and complaints and subgrant management systems. In Philadelphia, we contracted with a major university to provide intake and assessment services with the backup of the institution's research facilities and staff so that we can continually evaluate and improve the system. We have implemented in-service training in process and long-term outcome evaluation for staff that work directly with the funded programs. We have hired an attorney and staffed a Legal Services Office with hearing examiners to assure that the complaints and grievances of clients are handled in a professional and timely manner. We have implemented PHACTS-the Philadelphia Automated Client Tracking System to assure that there is accurate information on clients and their movement through the CETA system for use in matching clients to available programs and for meeting the reporting and client tracking requirements of the Department of Labor. Employment and training has matured and systems are now in place at the local level to monitor the flow of funds and to assure that delivery of services to clients is fair and impartial.

As a prime sponsor and as a City/County, we support the proposed move away from categorical funding to block funding, but with the two provisions noted in the opening statement:

> (1) That a block of funds be targeted to older cities hard hit by unemployment to provide specialized services for those "most in need"; and

(2) That governmental agencies receiving the block grants address in their annual plans how they will target services to youth because without at least a mandated reporting function, services to youth may suffer in competition with services for adults.

While we support the concept of a block grant, we do not favor all employment and training funds being provided to the states. Unless the local government has a direct role in administering the CETA program, the maximum benefits of the program will not be provided to participants, and the programs will be more costly.

One example is the Supplemental Vocational Education Assistance (SVEA) program administered by the State. Nine percent (9%) of the total state funds available are taken off the top for state administration of the program. The service deliverer is permitted up to eleven percent (11%) for administrative costs associated with program operation. Further, the prime sponsor, who is accountable for allowance payments, monitoring and record keeping, contributes additional administrative funds from the cost pool for local management of the program. Therefore, what we now have are duplicative administrative structures which require the service deliverer to be responsive to both systems.

There also seems to be somewhat of a disparity in funding formulas between the State II-A,B,C-SVEA and the Federal II-A,B,C Grant, provided to prime sponsors. The state formula, for example, provides only 12.79% (projected for FY'82) of the total SVEA funds to the City of Philadelphia. The federal formula, for distribution to prime sponsors, takes into consideration the numbers of unemployed persons, adults in families with an annual income below the low income level and the current population survey (CPS). Using this formula, it is projected that the City of Philadelphia will receive 18.04% of the total funds available to prime sponsors in the state. There is a 5.25% difference in the two formulas. When we consider that the State Supplemental Vocational Education Assistance allocation for Fiscal Year 1982 is projected to be $7,413,000, that difference of $392,258 becomes significant.

CETA is mandated to serve those determined to be most in need. Most in need is usually defined as those individuals having the most barriers to employment - those who without the intervention of CETA, hold relatively little hope of ever entering the labor force and becoming self-sufficient.

However, CETA programs are also mandated to target services to disabled and Vietnam-era Veterans, public assistance recipients, youth, older workers, offenders, displaced homemakers, women, handicapped persons, single parents, individuals who lack credentials, individuals who require basic and remedial skills development, persons of limited English speaking ability, and other groups determined locally to be most in need of services. With a mandate to serve all of the groups mentioned, the flexibility to target services to groups determined locally to be most in need of services is sacrificed.

The national unemployment rate of 7.3 percent is higher than at any time in the post war era, except for the 1975 recession and its immediate aftermath. During February, 7.8 million workers were officially unemployed. Of this number, 23 percent were youth and 77 percent were adults. These unemployment figures do not take into consideration the one million discouraged workers who have given up looking for work, nor the four million underemployed who are working part-time, but seeking full time work. However, these are average figures, and the rates are not the same across the country. Some areas of the nation suffer high unemployment rates and even higher discouraged worker rates while other areas are experiencing high economic growth and have relatively low unemployment rates.

If CETA is to succeed as an economic development tool, greater flexibility must be given to local governments to provide services which are responsive to the needs of the local labor market and the local resident population, not national statistics and national priorities. Similarly, as the only first class city in Philadelphia, Philadelphia's unemployment, welfare caseload and discouraged worker statistics are substantially different from the balance of the State. It is essential that control and direction be excercised locally.

During this period of budget cuts in most social service programs, it makes good sense for Congress to continue its relationship with the experienced local delivery system, rather than create a new inexperienced management structure under the state. The state level is still too remote to allow for development of local programs that meet local needs. The formula example cited above along with the fact that local governments have made significant improvements in the management of these local programs, should deter the Congress from taking a step backward and recentralizing CETA.

Linkages

The Regulations governing the categorical distribution of CETA funds have kept prime sponsors from coordinating CETA activities as cooperatively as possible with other employment, training, economic development, private sector and human service delivery resources. Still, in spite of difficulties, we have forged important linkages with a number of these resources and in the coming years of financial retrenchment these linkages will be even more crucial to the effective operation of an employment and training network.

Specific linkages that are addressed in this testimony include the State Employment Security Agencies (SESAs), economic development activities through the Economic Development Administration and related programs, the private sector including the National Alliance for Business and the Private Industry Councils, other CETA programs at the state and local level and other social and human service agencies such as the Departments of Education and Health and Human Services.

A. CETA and the State Employment Security Agencies

CETA regulations specify that prime sponsors must coordinate their activities with those of the state employment security network. Yet the Wagner-Peyser Act, which created and governs all SESAs, has never been amended to require reciprocity by state employment security offices. The situation is further complicated in that both operate under mandates which have the same goal -- placement of individuals in private sector jobs.

State Employment Offices are staffed according to a quota system partially based on the number of unsubsidized placements obtained. Since prime sponsors are assessed on their "entered unsubsidized employment" rate, credit for placements becomes a point of contention between the two. While the Philadelphia prime sponsor has had success in involving the state employment security system in CETA activities such as recruitment for SYEP and PSE, the built-in competition found in the CETA and Wagner-Peyser Act regulations precludes inter-agency cooperation where it is needed most, placing disadvantaged job seekers in jobs.

If the activities of SESAs and CETA prime sponsors are to be maximized, more flexibility in defining inter-agency relationships must be allowed. The mandated coordination of CETA prime sponsors with SESAs must be made reciprocal, and the in-fighting over which office takes credit for which placement must be eliminated.

B. CETA and Economic Development Activities

For many years, employment and training programs were considered outside of the capital-focused realm of economic development. Beginning in the mid-seventies, a movement favoring the inclusion of employment and training activities in economic development projects emerged. Federal, state and local governments began to see the possibility of filling the jobs created through public funding of economic development projects with hard-to-employ individuals. A series of steps were taken to insure that such linkages were made. The Employment Initiatives program provided that a percentage of new job creation within an Economic Development project would be set aside for the hiring of CETA-eligible individuals. In addition, the 1978 reauthorized regulations of CETA instructed prime sponsors to more closely coordinate their activities with those of local economic development agencies.

While some success has been achieved in implementing programs, the soft nature of job commitments made by federally funded economic development agencies has impaired the prime sponsor's abilities to enforce set-aside provisions. Because it was a federally initiated program it did not have the success it could have had. If employment and training programs are to become actively involved in economic development projects, coordination must occur at the local, not the federal level. Funding must be provided on a multi-year basis to allow an adequate planning process and assigning of resources well in advance of the project start-up. In addition, CETA prime sponsors must be provided the ability to plan and implement any training program which meets the employment needs of the project and benefits the CETA clients. Prime sponsors have often been unable to respond to set-aside job openings because of the amount and type of training involved.

The City of Philadelphia would like to propose that employment and training programs be used as an economic development tool. Funding for employment and training programs should be targeted to distressed areas and not to areas where the economy is expanding such that the private sector can afford to hire and train their own workforce. Further, a coordination of funding designed to significantly impact upon the economy of distressed areas is in order. Little attention has been paid to an overall assessment of the extent to which the targeting criteria used by the economic development programs are related to those used under CETA, and more generally, the extent to which the targeting criteria used by all programs taken together provide the combinations of assistance required by local areas. A refocus on CETA as an economic development tool should net increased worker productivity thereby stimulating a more healty economy.

C. CETA and the Private Sector

It has long been realized that for CETA to be successful, it must be closely linked with the private sector since the vast majority of job opportunities are in the private sector. Nevertheless, coordination of CETA with the private sector has been difficult. Private employers tend to see CETA as bureaucratic maze of red tape and regulations, a view they share with many prime sponsors.

Businesses are often suspicious of prime sponsors, and reluctant to get involved in CETA programs. While some of this reluctance can be traced to the employer's view of CETA as a specific social service agency, much of it is due to a fear of being involved in any government program. CETA prime sponsors compound these attitudes when they are required to enforce CETA regulations which necessitate reams of paperwork, opening of company books and adherence to numerous seemingly insignificant guidelines.

If the prime sponsor were permitted to negotiate mutually agreeable contracts which protected both the prime sponsor and the employer's needs, private sector involvement in CETA would undoubtedly increase. The Private Sector Initiative Program, has shown the validity of this approach. PSIP, a demonstration program which was designed to increase participation by small and large business in CETA activities, permitted prime sponsors increased latitude in dealing with private sector employers. Close working relationships with staffs of agencies representing business interests, such as the Chamber of Commerce, must be stressed.

Yet while it is important to structure employment and training activities to involve the private sector, it is essential that the compelling interests of the parties involved be weighed and balanced. Employers must understand that CETA is not an employment agency where hundreds of individuals can be screened to get the one perfect employee. Instead local businesses must be willing to join with the prime sponsors in training programs that can provide the continuum of services necessary to make an unemployable person employable.

Obviously local business must be a major part of the employment and training network. Yet exactly how this is facilitated on the local level should be left up to local government as long as minimum standards for private sector involvement are met. In some communities, the optimum role for the private sector may be advisory. In other areas, local government may wish to actually operate its employment and training programs through a separately incorporated public-private partnership. The determinations should be a local one based on labor market data, political realities, the nature of local business and the demographics of the population to be served.

D. State and Local CETA Agencies

A crucial area of linkage and coordination must take place between the various agencies that comprise the CETA system. During much of the recent past when grant funds came to prime sponsors in abundance and often had to be allocated quickly for programmatic uses, there was little incentive or opportunity to coordinate closely with other prime sponsors and with the State prime sponsor. The current funding picture makes such coordination essential if the maximum benefit is to be derived from much more limited resources.

In Philadelphia, considerable coordination is already underway. In meetings with the Secretary of the State's Department of Labor and Industry, which has responsibility for CETA, linkages have been worked out that benefit both the State and the City through the coordination of service delivery. In its relationships with other areas prime sponsors in the metropolitan area, Philadelphia has been in an excellent position since the city is the centerpiece of the region. The Budd Company contract, mentioned earlier in the testimony, is an excellent example of the cooperation among prime sponsors that has already begun to occur in the Delaware Valley and which should be enhanced and supported by the reauthorization.

E. CETA and Other Human Services and Social Service Delivery Systems

A final area of linkage is with other social service and human service agencies and providers. As in other linkage efforts, the coordination of resources allows for better management of funds for more efficient use of available dollars. The question of allowance payments provides an excellent example of how coordination with other agencies can greatly increase the grant funds available for program rather than income maintenance.

Another of the mandated provisions is the Allowance Payment System. According to the CETA Regulations, hourly training allowance payments are provided to CETA participants in a classroom training activity. An allowance may also be made available to those receiving a regularly scheduled program of other types of employment-related services.

We see as an appropriate use of a training allowance payment the provision of those payments necessary to meet the expenses associated with training program participation. An individual seeking CETA services should not have to undergo undue hardship in the pursuit of such an objective.

Since other means of income maintenance such as Public Assistance and Unemployment Compensation are often available to our clients, we feel that allowances should not be viewed primarily as income and that prime sponsors should have the flexibility to structure and implement allowance payment arrangements which are equitable and in conformity with local authorities to provide maximum services with available dollars and to fulfill program objectives.

Since other human service agencies are the source of income maintenance and other funds for our clients, coordination with those agencies is essential

Audit Resolution Procedures

Proposed regulations for CETA include a modification of the process by which audit disputes between the Department of Labor and CETA prime sponsors may be resolved. We do not believe that this process should be incorporated into the CETA Complaints, Investigation and Sanction Subparts of the Regulations. We support the view, and our experience confirms, that audit disputes are not often willful, intentional attempts to subvert the CETA system, but honest differences of opinion regarding the implementation of regulations, technical errors; and a dissimilar accounting system which involves no actual expenditure of funds.

The placement of audit resolution procedures in the Investigation, Complaint and Sanction Section of the Regulations gives a negative connotation to a procedure that is required by the Department of Labor for all Prime Sponsors and Subrecipients to follow. Audits are required on a schedule mandated by the Act. The audit resolution is not necessarily an investigation and the responses to audit exceptions are not characterized as complaints.

The audit procedure and the subsequent resolution process is critical to an efficient, accountable CETA system, therefore, it is important that the entire process should be separate and apart from the Complaints and Grievance System.

Section 676.88(c) of the Regulations outline what are called "five forgiveness factors" which may be taken into consideration by a Grant Officer to allow certain questioned costs. The intent is well directed, but it does very little to assist prime sponsors in their efforts to reach resolution. Factor #5 speaks of questioned costs which are "not substantial", but does not define "substantial" in set dollar limits. What is substantial in terms of one prime sponsors may be miniscule in another.

In order to make the questioned cost "forgiveness factors" realistic, an error factor should be established. (An amount not to exceed a certain percent would be acceptable.) This error factor would represent a carefully thought-out process, free from arbitrary and capricious determinations. The factor would reflect a relationship between questioned costs and total funds received by the prime sponsor for implementing the Act. Additionally, it has been previously suggested through comments on the proposed regulations, that an additional five "forgiveness factors" be added as circumstances under which questioned costs should be allowed:

(1) The violation was non-willful and *de minimis*; or

(2) There was an intervening act of a criminal nature on the part of a party other than the recipient or subrecipient, over which the recipient or subrecipient should exercise no control; or

(3) The activity was not fraudulent, and the violation did not take place with the knowledge of the recipient or subrecipient; or

(4) Expeditious action was taken to correct the violation when it became known to the recipient or subrecipient; or

(5) The prime sponsor acted in a good faith effort to comply with the legislation, regulations field memorandum or regional directives.

We support the strengthening of the exemption of questioned costs that fall within these categories and urge that the "error factor" concept be pursued.

The City of Philadelphia appreciates the opportunity to comment on the issues facing the employment and training system and to provide the Subcommittee with first-hand information regarding the CETA system. We trust that these observations, concerns and recommendations will receive your careful consideration over the coming months as you debate the future of the Comprehensive Employment and Training Act and the issues surrounding its reauthorization in 1982.

Senator **Quayle**. Thank you. Let me ask both of you one basic question. If you were sitting over here and rewriting the CETA law, making some structural changes, what would you change? What would you change about the CETA system itself?

Mr. **Gault**. I think there are a couple of targets that I would focus on. One has to do with the inordinate amount of redtape associated with the program as it is currently designed. There is a history to that. Clearly, there is a history to it. That monstrous amount of administrative detail works against the program, works against the private sector's involvement and willingness to participate in the program, and I think could be reduced significantly. That is one of the key things.

Senator **Quayle**. Do you think that that redtape can be reduced significantly under a block grant concept?

Mr. **Gault**. I think the block grant concept is based on a number of presumptions which are in fact rebuttable presumptions. The first is that there is some administrative cost savings to that. I think that, if you examine it very carefully, you will find yourself trying to run this program on the cheap, that you would find an emphasis and a great interest in trying to realize cost savings at the expense of a quality program and then sacrificing many of the safeguards, the checks and balances that are already in place. I think that is one of the rebuttable presumptions that needs to be examined very, very carefully.

As we look at the experience in New York City, many of our contractors who are running programs with a 15 percent administrative budget find it very, very difficult to respond to and conform with the administrative requirements that are now in place. To suggest that through a consolidated block grant you could reduce those administrative costs, I think, would be sheer folly. It would take us back to yesteryear when CETA was not only a four-letter word but it was a four-letter profanity.

Senator **Quayle**. Mr. Johnson, how would you correct the system?

Mr. **Johnson**. One of the things we suffer with in Philadelphia is the difficulty of dictating a national program that will suit each local situation. We would suggest that minimum targets and requirements be developed at the national level. This would provide more flexibility at the local level to design a program that makes sense based on existing institutions and priorities. We think some relief in that area would help.

Another problem to which Mr. Gault has already referred, is the redtape, the conflicting messages in the legislation and the regulations. On one hand, we are directed to work with the private sector and on the other hand, the legislation limits innovative activities for-profit agencies.

Those types of changes would be most helpful.

Mr. GAULT. There was one thing that I listened to very carefully as the testimony was offered earlier that, if I might, I would like to respond to. Forgive my presumption in being this aggressive, but I know the clock is running and there are a couple of things that I wanted to put on the table and have said for the record. I think they are important and will be important to you and members of your subcommittee.

One of those questions that you asked earlier people who came before you to testify had to do with who should you serve in a program like this during periods of shrinking resources. I have some comments I would like to share with you on that.

The second question that you asked was, how do you generate a greater involvement by the private sector. Again during a period when there is a troubled economy, we are looking very carefully at the wisdom of public investment in a program like this.

Let me start with the first one. The who-do-you-serve question is one that is critical. It is critical because of what has happened in the first 6 months of the Reagan administration. And this is not to raise the issue of public service employment; there are other forums to do that. We have seen the demise and the dismantlement of a program that in this year was providing 300,000 jobs to persons who really have few alternatives. Welfare dependency was probably the most readily available alternative.

Who you serve in a program like this, I think, has to take into consideration that the structurally unemployed in this country are numbered by the tens of thousands. As we eliminate programs like the CETA, public service employment program, as we reduce our capacity to make these persons whole, we are not eliminating them. The fact that they exist by the tens of thousands is a reality that unfolds nightly on television and daily in local newspapers. The sociology of it is a horror story.

The answer is that I think that a program like this must be carefully focused on the structurally unemployed in a very clear and precise way. A part of my answer to that question of who you serve is an anticipation of some of the messages that we have received to date from the Labor Department. There is, I said, a growing lexicon for CETA. There is now a new terminology used: outcome orientation. Well, the outcome orientation suggests that you are going to be very concerned about the number of people that you place in jobs and at the end of a funding cycle your performance will be judged by how well you do with placing large numbers of people in jobs.

I suggest that that kind of thinking will result in touching only the surface of the structurally unemployed. It is consistent with a triage approach to social service delivery that leaves off the boat those people who have little capacity to help paddle the boat. Again, those persons exist by the tens of thousands. This kind of action does not wipe them off the face of the Earth. We will have to deal with the sociology of what it represents at another point in time.

The second part of what I wanted to say and felt it imperative to say today was an answer to how you generate a greater involvement by the private sector. We make a case on a regular basis about the uniqueness of New York. Part of that is tongue in cheek. A great deal of it is with great sincerity.

There is a small item in the New York Times today, B2, in which there is some discussion about a New York City private sector initiative which has generated 13,800 jobs for poor youth in the city of New York this year. What this is is an effort led by David Rockefeller and other business liminaries not only of New York but of the world. They have committed themselves and their resources in putting together a jobs program for disadvantaged youth in the city. I think out of that experience, because the city has worked very carefully with them, we have a couple of things that might be helpful and might be instructive.

The first thing is that business is in business in this country to stay in business, first and foremost. Unless there is an effort directed very carefully structured at making those businesses profitable and productive instruments, then all of the sound and fury about helping the poor will fall on deaf ears. There is a place in that for employment and training resources to be used. The experience that we have is that businesses are not willing to put on the hair shirt of helping the poor if it is going to affect their bottom line. The experience that we have had over the last 8 to 10 years has shown us how to reach and help prepare those persons who are not job ready nor who have the skills, reading and math proficiencies to perform well once they have jobs.

The second part of it is that Government can show business in many instances a better way, a better way to function and a better way to operate. This experience that I just mentioned headed by David Rockefeller has shown us that a great many of the jobs that were offered and put on the table are jobs that businesses have a great deal of difficulty in filling at any rate. They are jobs that pay minimum wage at best. Some of them pay below minimum wage. They are usually jobs that come from fast food businesses. They come from supermarkets in which stock personnel are needed, often working and required to work in conditions that are far from comfortable or desirable.

I think that one of the things that we have been able to do is to identify a work force and help put a work force in place for the summer, to take those jobs with some notion that they can be stepping stones, rungs on a ladder, a career ladder if you please, to something larger, larger than what they are doing now.

That kind of interaction between business and government, I think, is very important.

A final point to make is that these employment and training resources can be important in an arsenal of resources that are directed at strengthening the economic fabric of cities. We found that, if we can identify those businesses that are inclined to leave or need to be persuaded to locate, employment and training resources often represent the decisive element. That decisive element convinces them that they can have in place a productive work force that will help them be in business next year.

Those are just two very pressing points that I wanted to lay on the table and stress before our session here ended.

Senator QUAYLE. Let me ask one final question. It is an area that you touched on in either your second or third point. You talked about generic consolidation. As far as that consolidation, what do you think about the question I have asked a number of people on combining some of the employment service and vocational education and CETA programs, all of which have basic themes running through? Is this the type of consolidation that you are referring to?

Mr. GAULT. The city of New York sent a delegation here to Washington when the old team was here. On that team with me was the deputy mayor for economic development and the first deputy of the board of education. We saw that there was clearly an interrelationship between employment and training, education, and the economic vitality of the city. On our own in New York City we have pooled our resources, financial as well as human resources, to put in place programs that wed those interests so that we have a set of goals that are mutually agreed upon that we are working toward accomplishing. If your question is, can you formalize that, clearly there is some benefit from it. We have seen benefit in New York City without having it formalized to the extent that it is legislatively mandated. I think there are clear benefits from the way that we are proceeding.

I know that in the past when we have put on the straitjacket of many mandated requirements of Federal funding, that straitjacket has been most uncomfortable and has in fact impeded us from doing the best possible job.

I have used this generic consolidation here to pique your interest, to provide some bit of titillation. I hope that it carries forth because I think that it gives localities, prime sponsors the kind of necessary and important flexibility that can make the difference on a local level.

Senator QUAYLE. Thank you very much.

Mr. GAULT. Thank you, Senator. Let me just say as a spokesperson for the city that we would like to make available any and all resources of the city to you and your subcommittee. We are different, as the largest city in this country, but I think there are a number of experiences that we had that cut across the fabric of the country. So, any way we can help you, we would like to be helpful and will make ourselves available.

Senator QUAYLE. We certainly appreciate your cooperation today and are looking forward to that continued partnership as we try to come to grips with something that will be progressive, something that will have a basic consensus as we try to reform the employment and training system that we have in this country today. I think our goals are the same, and the way we get there is through communication and competition of ideas and statements such as yours today. It is most appreciated by me.

Mr. GAULT. Thank you again.

Senator QUAYLE. Now we have Mr. Brown, Mr. Gardner, and Mr. Pasquarella.

STATEMENT OF VIRGIL BROWN, PRESIDENT, BOARD OF COUNTY COMMISSIONERS, CUYAHOGA COUNTY, OHIO, ACCOMPANIED BY ANN LEVIN

Mr. BROWN. Mr. Chairman and members of the subcommittee, my name is Virgil Brown. I am president of the Board of Cuyahoga County Commissioners. Let me begin by briefly describing for you the area that I represent. Cuyahoga County and its major city, Cleveland, are located in northeastern Ohio along the shores of Lake Erie. The county has a population of 1.5 million and is dominated by a number of large and small manufacturing industries.

Due to this heavy manufacturing base, the nation's current economic problems have more adversely affected Cuyahoga County than the Nation as a whole. In the last 10 years, for example, the number of manufacturing workers has declined by more than 17 percent while the total employment has increased by only 5 percent. The unemployment rate for Cuyahoga County has been in excess of 8 percent since June of 1980 and is not expected to fall below the national average until sometime in 1982.

It is for these reasons that I come before you today to testify on those matters that the Congress needs to consider in its legislative response to the reauthorization of the employment and training system.

There are a significant number of individuals in the general population who face barriers when attempting to enter the labor market. Examples of these barriers are lack of education, lack of a marketable skill level, insensitive employer attitude and limited availability of jobs. Due to these and other barriers, disadvantaged individuals whether socially or economically disadvantaged have great difficulty in assimilating themselves into the labor force. The end result of these barriers is individuals who are able and willing to work and do not have the opportunity to contribute to the level of productivity in this country through employment.

During these hearings we are raising the question: Why do we have employment and training policies? Our answer to this question is: Employment and training policies are necessary so that the Government can fulfill its lead and coordinative role with the various factors of society, namely the private sector and the various levels of public sector in jointly achieving the ultimate goal of providing full employment opportunities within the context of a balanced Federal budget and a minimal rate of inflation.

There are several clear objectives that are apparent in achieving this goal. The one objective that I feel best encompasses the overall importance is an increase in the productive labor force.

There are various methods of achieving this objective of increasing the productive labor force. I will describe only a few methods of which we believe would be most helpful for our geographical area.

As I have stated before, Cuyahoga County has declined in employment by 17 percent in the manufacturing area. The ability of coordinating economic development activity with employment and training services would lead to creating new jobs and/or instilling growth into the types of jobs available in our area. A prime beneficiary of this methodology would be the private sector, both large and small businesses. Job creation through the coordinative method of economic development and employment and training would lead to the general increase of the tax base for general local government and the Federal Government.

This cooperative coordination with the private sector can also be fostered in CETA sponsored training programs such as the title VII Private Sector Initiative program. This program offers a unique opportunity for the private sector to have input into the design and implementation of industry specific training in such areas as upgrading and retraining.

In addition to private sector coordinated training, there remains a need for an overall employment and training strategy to meet the employability needs of the disadvantaged whose employment barriers are significant. The CETA system has been a relatively effective instrument in providing the means for the disadvantaged to overcome their employment barriers.

In Cuyahoga County, for example, the CETA title II-B program achieved a 44-percent placement rate in fiscal year 1980 and is currently maintaining a 51 percent placement rate for fiscal year 1981. This type of program, with its varied service alternative strategy, has worked well in Cuyahoga County in meeting the employment needs of the disadvantaqed.

The CETA experience has shown that it is imperative for the employment and training delivery system to remain in its current decentralized structure. This is the only way that local training options can be kept open and the value of a general purpose local government fully realized. For this reason, any consolidated block grant approach to this system must attempt to preserve the local autonomy and not substitute categorical program options on the Federal or State level.

Let me conclude by stating that the impact of a comprehensive employment and training strategy such as you are considering can be measured in concrete terms. The effects on the public treasury are obvious in light of the increased tax base and the savings and welfare, unemployment benefits, food stamps, and similar income subsidy programs. The less obvious benefits are of a nonmonetary nature and reach to the restoration of dignity, pride, productivity, and self-worth to which all Americans are entitled.

I appreciate the opportunity to testify before your subcommittee and realize the serious task of reauthorization that lies before you, an important first step in building an employment and training policy for the eighties.

Senator QUAYLE. Thank you.

STATEMENT OF JOHN W. GARDNER, COMMISSIONER, BLAIR COUNTY, PA., ACCOMPANIED BY MARCIA LAWTHER

Mr. GARDNER. Mr. Chairman, my name is John W. Gardner. I am a county commissioner from Blair County, Pa., president of the Southern Alleghenies Planning and Development Commission, and a member of the executive committee of the Southern Alleghenies Planning and Development Commission.

With me is a member of staff, Marcia Lawther. Mr. Mandes was tied up and was not able to make it.

This testimony is respectfully submitted on behalf of the county commissioners of the six Pennsylvania counties which comprise Southern Alleghenies who have joined to create the Southern Alleghenies Planning and Development Commission.

I would first like to thank the committee for giving me this opportunity to testify today regarding the Comprehensive Employment and Training Act. The concepts I am about to present are the result of an indepth study of the current act by local elected officials in conjunction with private businessmen in our area.

In light of the fact that my testimony time has been limited to 5 minutes, I have submitted copies of our entire report to be placed on the record of these proceedings, and I will limit my oral presentation to a review of the synopsis of remarks from within the concept paper which represents positive changes when a reauthorization of CETA is examined. May I stress that the private sector was directly involved in the formulation of these recommendations and that as a consortium we are committed to directly linking all CETA programs to private businessmen in our area.

As stated, my oral presentation today is taken from the summary of findings which is being handed to you for the committee's records. The local elected officials and private businessmen of our area believe that the major revisions which should be initiated when reviewing the reauthorization of the act should include the following.

One, the changing of the emphasis in the delivery of the act to a local strategy in which locally elected officials in conjunction with representatives from private industry would tailor the proper mix of allowable activities to properly meet the needs of the local unemployed population.

Second, we believe the expansion of the purpose of the act is to include the encouragement of economic development in areas of substantial unemployment which lack sufficient private industry to employ their unemployed populations.

Third, eligibility for program participation should be standardized for all program activities. At a minimum, an eligible participant would be unemployed 30 days at application, and each prime sponsor would serve every segment of their local unemployed population in proportion to what each segment's incidence was in the unemployed population. This eligibility would be standardized for all allowable activities.

Four, subminimum allowances and wages should be permitted to be paid to program participants in order to encourage participants to enter employment and to reduce program costs.

Five, administration of the program should continue to be operated through the current prime sponsor system to avoid costly duplication in the set-up of a new delivery system. In addition, the program should be administered as only one title, where all current allowable activities, plus economic development strategies would be allowable activities. In addition, no maximum or minimum percentages would be earmarked for any activities by the Federal Government. Instead, private businessmen and locally elected officials would decide, based upon the needs of the local area, what services and activities would be operated to best fit local needs.

Senator, I want to thank you for the opportunity. We know it has been a long day. We have tried to confine ourselves to the 5 minutes.

Senator QUAYLE. Thank you very much. Your entire statement will be submitted for the record, without objection.

[The prepared statement of Mr. Gardner follows:]

TESTIMONY BY

COMMISSIONER JOHN W. GARDNER

BEFORE THE

SENATE LABOR AND HUMAN RESOURCES COMMITTEE

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

JUNE 18, 1981

My name is John W. Gardner, I am a Commissioner from Blair County, Pennsylvania, President of the Southern Alleghenies Planning and Development Commission, and a member of the Executive Committee of the Southern Alleghenies Planning and Development Commission. With me is Stephen C. Mandes, Executive Director of the Commission.

This testimony is respectfully submitted on behalf of the County Commissioners of the six Pennsylvania Counties which comprise Southern Alleghenies who have joined to create the Southern Alleghenies Planning and Development Commission.

I would first like to thank the Committee for giving me this opportunity to testify today regarding the Comprehensive Employment and Training Act. The concepts I am about to present are the result of an indepth study of the current act by local elected officials in conjunction with private businessmen in our area. In light of the fact that my testimony time has been limited to five minutes, I have submitted copies of our entire report to be placed on the record of these proceedings, and I will limit my oral presentation to a review of the synopsis of remarks from within the concept paper which requests positive changes when a reauthorization of CETA is examined. May I stress that the private sector was directly involved in the formulation of these recommendations, and that as a consortium we are committed to directly linking all CETA programs to private businessmen in our area.

Purpose Of The Act

The original purpose of the Comprehensive Employment and Training Act of 1973, amended in 1978, was to:

> Provide job training and employment opportunities for economically disadvantaged, unemployed, or underemployed persons which will result in an increase in their earned income, and to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency by establishing a flexible, coordinated, and decentralized system of Federal, State, and local programs. It is further the purpose of this Act to provide for the maximum feasible coordination of plans, programs, and activities under this Act with economic development, community development, and related activities, such as vocational education, vocational rehabilitation, public assistance, self-employment training, and social service programs.

Representatives of both local government and private industry of our area agree, that in order to realize the original objectives of the Act, the purpose of the Act must be expanded in order to emphasize that the new Act be a private sector oriented program which could promote both employment and training and job creation activities. Areas suffering from substantial unemployment (those with unemployment rates in excess of two percent or more of the national average) should be permitted to operate economic development activities under the Act in order that industrial expansion and the attraction of new industries could take place in order to increase the number of available jobs, and to assure the economic survival of theses areas.

Allowable Activities

Currently, allowable activities under the Act are limited to Classroom Training, OJT, Work Experience, Public Service Employment, Employment Generating Services, Services to Participants, Upgrading and Retraining and other activities such as Job Development and Job Search Assistance. In addition to the above-mentioned activities, economic development initiatives such as pursuing the Enterprize

Zone Concept, should be allowable activities under the Act in order to better enable economically distressed areas realize their goals of successfully employing their unemployed populations. Changes in the current program activities should be implemented in the following activities:

Public Service Employment

It was the opinion of both local businessmen and local-elected officials that Public Service Employment should be a limited activity under the new Act and that it should be available as an allowable activity only in areas of substantial unemployment (areas whose unemployment rates are in excess of two percent above the national average). In addition, Public Service Employment should be further limited to areas in which it can be demonstrated that the private sector has been saturated and thus has the inability to employ or train the unemployed workforce.

Work Experience

Work Experience as an allowable activity is currently limited by the Act to work in nonprofit organizations. It was the opinion of our local-elected officials and private businessmen that Work Experience should be expanded to include work in private businesses. Nonprofit agencies cannot provide training in the variety of marketable skill areas, and cannot instill work attitudes and habits which are indigent to businesses which must turn a profit or will cease to exist. By allowing Work Experience to be operated in both the public and the private sector, a more diverse array of occupations could be explored on a first-hand basis by individuals, and participants could be exposed to a more true picture of the actual world of work.

It is important to uphold Work Experience as an allowable activity under the Act in that it gives those who have had limited exposure to the world of work (especially young adults) a valuable vehicle for obtaining basic work and life skills necessary for ultimate success in obtaining unsubsidized employment.

Participants in this activity should continue to be evaluated every sixty days in order to ascertain their readiness for entry into unsubsidized employment or skills training.

Services

Currently under the Act, certain services to participants may be provided by utilizing funds under the Act. These activities include health care and medical services, child care, transportation, temporary shelter, assistance in securing bonds, family planning, legal services and financial counseling. It was the opinion of both local-elected officials and private businessmen that the use of funds for these types of activities should be severly limited under the new Act, and be used only in cases where no other assistance can be found in the local community to provide these services.

Other Allowable Activities

Classroom Training, On-the-Job Training, Employment Generating Services and Upgrading and Retraining should be kept in tact as allowable activities under the Act since they are valuable strategies for re-employing the unemployed population. Input should be continually sought from local businessmen in the design and implementation of these programs in order to assure their relevance and applicability to the local labor market.

Time and Wage Limitations

Certain maximum and minimum percentages currently exist which limit what amounts of allocations can be expended upon particular allowable activities. Under the current Act, these percentages have been standardized nation-wide. It is our recommendation that local-elected officials in conjunction with local private industry representatives be provided the flexibility to design program mixes most suitable to the regional areas in which they reside. Justification for what programs are operated and to what level they are funded would be provided in the Annual Plan which would be submitted to the Department of Labor.

Under the current provisions under the Act, limitations exist in the areas of what maximum time may be spent in any particular activity and what wages or allowances must be paid for hourly program participation. It was the suggestion of both private industry and local-elected officials that programs should be ultimately reviewed by the Department of Labor on a program-by-program basis and that no maximum or minimum time limitations be placed upon any programs. This posture would encourage innovative approaches to employment and training activities whose duration would be determined by the minimum time necessary to accomplish employment objectives for the participants.

In addition, current regulations under the Act consistantly require that at least a minimum wage or a minimum wage allowance be paid for every hour of program participation. This requirement greatly increases the total cost and the cost per participant for all programs. It was the recommendation of local-elected officials and private businessmen in our area to make provisions under the new Act which would allow subminimum wages or allowances be paid to program participants, in order to give the program participants greater incentives to seek unsubsidized employment. Although the current Act encourages linkages with local educational agencies and vocational-technical schools, by requiring that a minimum wage allowance be paid to program participants who have not completed high school and who now are attending GED instruction through programs funded under the Act, this requirement tends to strain relationships between educational agencies and the prime sponsor. In summary, more programs could be operated at lower costs if current restrictions of minimum wage payments were waived.

Delivery System and Administration

It was the opinion of both local-elected officials and private businessmen that the current prime sponsor delivery system should be kept intact in order to avoid costly duplication of a viable delivery system. By keeping this current delivery system in place, local-elected officials and private businessmen who have the greatest familiarity with local labor market conditions and problems may have direct input into the design and implementation of programs funded under the Act. In addition, the prime sponsor agreement should be a multi-year pact in order to provide greater stability to this delivery system.

In addition, the new Act should consist of but one title under which all allowable programs would operate and for which eligiblity would be standardized. By putting all activities under one title, less of an administrative burden would be placed upon prime sponsor systems and thus costs for administration could be significantly diminshed.

The current limitation allowing at a maximum twenty percent of funds to be utilized for administration should be maintained. The current allowability to operate an administrative cost pool for all program activities should also be maintained because, once again, this significantly decreases the administrative burden and allows more funds to be expended in direct services to program participants.

It was also suggested that if the federal government plans to implement any type of welfare reform which would require current assistance recipients to work at nonprofit agencies in order to "earn" their assistance, the current delivery system for such activities is already in place in the prime sponsor delivery system, and it would be a costly duplication to re-invent another delivery system for this activity.

Eligibility

Not only should all programs be administered under one title, but eligibility should also be standardized. Standardizing eligibility requirements for all programs would not only ease current administrative burdens, but would also facilitate services delivered to all participants who could then flow easily between different services on an "as needed" basis.

New eligiblity requirements should be put into place to best serve the unemployed population of the local labor market area. The basic eligibility requirement would be at a minimum thirty days unemployed prior to application. In addition, different segments of the unemployed population would be served in proportion to their incidence in the local labor market. The method for serving these target groups and their incidence in the population would be outlined in the Master Plan.

Planning Process

Both local-elected officials and private businessmen recommended that the planning processes currently required under the Act should be streamlined in the following areas:

> The two grant packages (The Master and the Annual Plans) should be simplified in order to reduce paperwork and administrative cost burdens and the Master Plan should become a generalized comprehensive description of the service delivery system. The Master Plan should be a multi-year document and only should be altered at the discretion of the prime sponsor.
>
> The Annual Plan should be a thorough description of the upcoming year's programs as it relates to the prime sponsor's areas.

As stated earlier, the Annual Plan would include a detailed report of what groups were represented in the unemployed labor market, and consequently what programs were to be operated to meet the needs of each segment of the local unemployed population.

The current redundancy of instructions received by prime sponsors regarding the Annual and Master Plans should be addressed in order that Master and Annual Plans submitted under the new Act would be drastically less burdensome documents than their current (250 plus page) size.

Currently, time restrictions are placed when program modifications can be submitted to the Department of Labor. This restriction is a deterrent to modifying activities on an "as needed" basis. It was the recommendation of both local-elected officials and private industry that the new Act should not include time restrictions regarding program modification submissions.

Participation Of Organized Labor

It was the suggestion of both local-elected officials and private businessmen of our area that some type of provisions must be built into the final regulations of the new Act in order to encourage organized labor to participate and cooperate with all of the activities planned to be funded under the Act. This would greatly facilitate the success and smooth operation of these activities in areas where organized labor is a prevailing force in the labor market.

Summary

In conclusion, the local-elected officials and private businessmen of our area believe that the major revisions which should be initiated when reviewing the reauthorization of the Comprehensive Employment and Training Act should include:

1. The changing of the emphasis in the delivery of the Act to a local strategy in which local-elected officials in conjunction with representatives from private industry, would tailor the proper mix of allowable activities to properly meet the needs of the local unemployed population.

2. The expansion of the purpose of the Act to include the encouragement of economic development in areas of substantial unemployment which lack sufficient private industry to employ their unemployed populations.

3. Eligibility for program participation should be standardized for all program activities. At a minimum, an eligible participant would be unemployed thirty days at application, and each prime sponsor would serve every segment of their local unemployed population in proportion to what each segment's incidence was in the unemployed population. This eligibility would be standardized for all allowable activities.

4. Subminimum allowances and wages should be permitted to be paid to program participants in order to encourage participants to enter employment and to reduce program costs.

5. Administration of the program should continue to be operated through the current prime sponsor system to avoid costly duplication in the set-up of a new delivery system. In addition, the program should be

administered as only one title, where all current allowable activities, plus economic development strategies would be allowable activities. In addition, no maximum or minimum percentages would be earmarked for any activities by the federal government. Instead, private businessmen and local-elected officials would decide, based upon the needs of the local area, what services and activities would be operated to best fit local needs.

Senator **Quayle**. Mr. Pasquarella, you may proceed.

STATEMENT OF LEE PASQUARELLA, DIRECTOR OF THE CETA PRIME SPONSOR FOR SEATTLE AND KING COUNTY, WASH.

Mr. **Pasquarella**. Mr. Chairman, I am Lee Pasquarella, the director of the CETA Prime Sponsor for Seattle and King County, Wash. We appreciate the opportunity to testify before the committee and share our views on employment and training and specifically the CETA program.

This morning, Senator, we have heard the CETA program described in many ways: as an economic development program, as a human resource program, and as a social program. But all too often and probably more accurately it may be considered a social disease. The public, and to some degree the congressional perceptions of the program, have been shaped by highly visible and much publicized examples of mismanagement, malfeasance, and abuse of the public trust. But these reports no more characterize the program than past or present Washington scandals accurately represent the work, dedication, and accomplishments of the vast majority of dedicated public servants here or around the country.

The media is filled with reports about the lack of public support for social programs and their consequent march toward certain oblivion. This may be a misrepresentation of the public sentiment. I believe that the public continues to support the purpose of these programs but the people are increasingly impatient with the inability of these programs to demonstrate what they have accomplished. Therefore, one of the most important questions to be addressed during these and future hearings is whether the programs have worked and, if so, for whom.

Obviously, success is relative to the definition used to define it. Our program in Seattle and King County has defined success as jobs for people who are most likely to be unemployed, the retention of those jobs, and an improved earning capacity as a result of the program. To accomplish these goals we have established local, objective criteria and standards which must be met by individual service deliverers if they are to receive funding from the prime sponsor.

We have just completed a study of our program effectiveness in which we monitored the progress of people leaving our system for 15 months to determine whether people retained jobs and the comparative effectiveness of categories of programs. Among other things, we found that 60 percent of the persons terminating the II-

B system got jobs. Sixty-one percent of those participants maintained continuous employment for 15 months or more following the program. We had an average pre-postprogram wage gain of $5,635. We found that classroom training and remedial education programs—that is adult basic education programs, GED preparation, and English as a second language program—were most likely to produce the highest placement rate, the longest period of continuous employment, the highest placement wage, and the highest pre-postprogram wage gain.

This information profiles our program and helps us determine which of our programs work best. It also helps us determine how we should allocate resources between types of training programs. It does not, however, measure the overall success of our CETA system. There are at least two ways in which this could be done. We could measure success by using identical criteria to compare our CETA program with all other similar programs in the community.

The measurement criteria would include verified placement rates and cost per placement, demographic information on the clients served, the retention rates, and the verified pre-postprogram wage gains. It is important to point out, Senator, that an evaluation of these programs must include cost and placement factors as well as a number of other equally relevant information.

Another way to measure success and the one we have used is to attempt to determine the cost benefit of the program to the community. This is done by examining the proportion of program costs earned by former participants during the year following training. This yields a measure of relative effectiveness of the various types of programs.

Second, we have examined how long it takes for the program to pay for itself. The length of time indicates some measure of success. Using the information discussed earlier, we found that on the average, individuals completing our program earned 162 percent of their training cost during the first year. This actually varied between 200 percent for on-the-job training to 118 percent for classroom training. This gives us some idea of the immediate impact of these programs.

Third, we discovered that during the first year these persons returned to the society in taxes alone 28 percent of the investment the society made in them. This is not income transfer payments but Federal, State, and local taxes alone. Within 4 years the taxes paid by those individuals who remained employed will pay for the entire individual training investment, and within 10 years the taxes paid by all those people who were placed will have repaid the entire cost of the program. This means that the investment made by the society in these programs is repaid many times during the working life of the participants.

Employment and training programs in Seattle and King County are a good investment because they work for the people for whom they were intended, and they pay for themselves in a relatively short period of time. But CETA works not only in Seattle, where we have spent several years developing the system and months collecting and studying the data, but it also works in large urban areas and small rural communities throughout this country. Our biggest failure as a system has not been our inability to mount programs which have helped millions of people improve their lives but our inability to measure our national success and adequately communicate that to the public.

Let me say in closing that the changes within the CETA system are not only expected but necessary, as we have heard from many, many people today. But these changes should flow from an examination of what we want to achieve; what appears to be working; what could work under a different set of circumstances, and finally what clearly doesn't work.

This must be done in a way that allows local areas to plan for local priorities. Thank you very much.

Senator QUAYLE. I think that is exactly what we want to do, is to look and see what worked, what did not work, and ask the basic question why. As we look to the future, I would like to ask each of you to comment on your support or nonsupport for the block grant concept. I am specifically referring to CETA next year.

If we follow the outline of the block grant concept, I think it is quite important that we get input from the local level—where you will be operating on, how this will affect your programs.

Mr. PASQUARELLA. Senator, the block grant notion in itself is not a bad notion. It has worked and not worked in the past. If it is going to be part of the law, the mistakes of the past should be corrected.

If it is the intent of Congress to send the block grants to the States, it will not work for urban areas. It will not work for urban areas for simple political reasons. The States are dominated by rural and suburban interests which are different from urban interests. As Mayor Schaefer indicated earlier, if there were language that required States to allocate resources on the basis of defined need then there will be grudging support. But to send the block grant to the State, I think we have ample historical evidence over the last 20 years that people in the cities will not benefit from this approach.

Senator QUAYLE. If we put the restriction on the amount of administrative costs, say at 10 percent or 5 percent, would that help to some degree to alleviate those fears?

Mr. PASQUARELLA. Again, my view, Senator—I know from your perspective you are very concerned about administrative costs. As an operator administrator of a system. I am concerned about the net costs of placing people in employment. If that cost is low, then relative to all other programs and systems the administrative costs could be 100 percent. What matters is the relative cost of getting people employed.

Senator QUAYLE. If we put too many qualifications on how and where they are going to spend it, those are categorical grants. I mean if we are going to go to the concept of block grants, you are going to have to give this flexibility. Either it is going to be directly from the Federal Government to the local communities and bypass the State, or you are going to use the State as the conduit to disburse these funds.

I think it would be self-defeating—this is just one Senator's opinion—to say we are going to have block grants and then put on a whole ramification of categories or qualifications.

Mr. **Pasquarella**. If you have the qualification that the States have to demonstrate that the money is going where the needs are, I do not think that is burdensome on the State's part. That will ameliorate much of the concern among urban areas.

Senator **Quayle**. Does anybody else want to comment?

Mr. **Brown**. Yes, Senator. First of all, I would like to introduce Ann Levin, who is the director of the CETA program in Cuyahoga County.

On that question, we would be very concerned about the fact that, if it goes to the State, in our case we are an urban area, we are about 20 percent of the State, but of course we have a lot more than that of the percentage of our population to the State of the unemployment. We think that, if it went to the State, we would not be able to target the population that we need to target.

If they should wind up going to the State, then I feel that our concerns would be allayed by the fact that we, the County of Cuyahoga and other urban counties, having some input into the direction of that money and how it would be spent and how much of it would be spent in certain areas. But, if it went with an open range or a wide-open field for the State to do what they felt was best for the entire State, then I think we would get shortchanged.

Mr. **Gardner**. From our standpoint, I would just very briefly like to say that originally in the six-county area we have three prime sponsors, two counties and one city, under the guideline. The reason for the consortium is that we took the counties and brought them into the consortium so that they would not have to be competitive with the balance of State.

We recognize this as, should the moneys come through the State, we seriously question what the State's attitude may be. I believe, from the standpoint of what I said here earlier today, in essence I may be supporting the block grant concept but with reservations. I in turn, Senator, would express a real concern for the institution of another level of administration, if you will, which we talked about, also that it may come down categorically, which we feel it should address the needs of the area. I submit to you we have the same problems. But our area is more rural in nature. This is one of the reasons of our concern and the reason for our input, the nature of what it is today. We think we need that leeway. I question if it came down through the States whether we would be given that leeway.

Senator **Quayle**. I have one final question. Do you think we ought to combine the youth and adult programs?

Mr. **Pasquarella**. The youth and adult programs?

Senator **Quayle**. For CETA.

Mr. **Pasquarella**. It depends on what kind of youth programs we are talking about. If we are talking about training programs, then I would say yes. But there is a tremendous need to improve the way in which education is delivered to this population. Unless we can do something both nationally and locally about the way in which the school systems deal with the CETA population, then that I would consider the CETA system a failure. The school systems, as you well know, do not serve the population very well. There needs to be attention given to that issue. One of the best ways to do that is through a separate mechanism that you track separately.

In my mind, that would be the only reason to make programs separate.

Senator **Quayle**. Thank you very much.

The committee will stand adjourned until 9 o'clock in the morning.

[Whereupon, at 1:55 p.m., the subcommittee was adjourned.]

EMPLOYMENT AND TRAINING PROGRAMS IN THE UNITED STATES, 1981

FRIDAY, JUNE 19, 1981

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:12 a.m., in room 4232, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senator Quayle.

Senator **QUAYLE**. The committee will be in order.

This is our fourth day of hearings on employment and training issues. We have heard so far from about 70 witnesses. Today, we have a very full schedule of about 20 witnesses, in total. My intentions are to try to complete these hearings in 3 hours, which is around noon, and to do that, I am going to ask the witnesses and myself and other Senators to limit their comments to 5 minutes.

All the statements that they have can be submitted into the record, and I would appreciate summaries of statements in less than 5 minutes so we can get to questions and answers and have as much time in the 3 hours for everybody to participate as much as possible.

With that, would the first panel please come forward: Louis Scozzafava, Robert Stewart, Louis Heimbach, and Lou Lignelli?

Good morning, gentlemen.

Mr. **SCOZZAFAVA**. Good morning.

Mr. **REPLOGLE**. Good morning.

Senator **QUAYLE**. Who would like to proceed first?

Mr. **REPLOGLE**. I will start off, Senator.

Senator **QUAYLE**. Fine.

STATEMENT OF PETER REPLOGLE, DIRECTOR, EMPLOYMENT AND TRAINING ADMINISTRATION, ORANGE COUNTY, N.Y.; LOUIS B. SCOZZAFAVA, DIRECTOR, NIAGARA COUNTY EMPLOYMENT AND TRAINING DEPARTMENT, LOCKPORT, N.Y.; LOU LIGNELLI, DIRECTOR, WASHINGTON COUNTY EMPLOYMENT AND TRAINING AGENCY, WASHINGTON, PA.; AND ROBERT B. STEWART, JR., EXECUTIVE DIRECTOR, LANCASTER COUNTY EMPLOYMENT AND TRAINING AGENCY, LANCASTER, PA., A PANEL

Mr. **REPLOGLE**. My name is Peter Replogle, director of employment and training, Orange County, N.Y. I am sitting in for Lou Heimbach, the county executive, who was detained on business this morning.

Orange County, N.Y. is a county with a long historical past. The citizens of Orange County have been taking an active role in history since Washington, right up to the present time when they welcomed back the former hostages from Iran.

The intent of my speech today is to demonstrate the need for employment and training policies, to state who should be served by these policies, and to give examples of successful programs which were designed and implemented to meet these policies.

As general information, Orange County is located 55 miles northwest of New York City, situated between the Hudson and Delaware Rivers, and encompasses 850 square miles. The population of the county is 259,000, with three labor market cities: Newburgh, Middletown, and Port Jervis, each with a population of less than 23,000.

The county has a diverse economic base consisting of 5,000 nonagricultural establishments, including manufacturing, trade, and services. Most businesses employ 25 people or less. Employees residing in Orange County have the third lowest average hourly wage in New York State. The unemployment rate for Orange County is 8.9 percent, with two of its cities experiencing unemployment rates of over 12 percent.

There are 10,000 adults receiving public assistance. The New York State Bureau of Labor Market Information has identified 50,000 residents, or one-quarter of the adult population, in need of employment and training services. This population includes unskilled laborers, persons with unmarketable skills, youth, handicapped, migrant workers, veterans, and the elderly.

The county has economic and employment problems characteristic of urban and rural areas. The city of Newburgh, with a population of 23,000, has an adult welfare population of 5,000. Like many other cities, Newburgh has experienced a loss of industry and population, with a continuing rise in poverty.

While employment service agencies, vocational schools and industry have individually focused on these problems, local CETA administration and policies have spearheaded an effective service network. Employment and training programs have become the unifying vehicle to serve a population in need. These services have reduced unemployment and welfare costs while increasing a productive labor market.

While it is true that most public policy has tended to focus on the role of government in employment and training programs, the Orange County ETA has not. Since 1974, Orange County has recognized the need to turn to the private sector for assistance in program design and implementation.

Through these cooperative working relationships, the county has been nationally cited by such organizations as the U.S. Department of Labor, the American Bar Association, Youthwork, and the Vice Presidential Task Force on Youth.

While the programs were cited as being exemplary, the obvious question, in light of today's economic situation, is at what cost and how effective?

In 1980, with an operating budget of $10.9 million, we were able to serve 3,405 participants. Of these, 1,246 were receiving public assistance prior to joining CETA. This afforded local taxpayers a $7.7 million savings in public assistance costs.

The fiscal year 1980 employment and training program is also proving cost effective; 73 percent of those who terminated either entered unsubsidized employment, remained in school or returned to school, or entered other programs. The cost per placement was $3,719—well below the cost attributed to public assistance.

While the fiscal year 1980 statistics are impressive, fiscal year 1981, based on current data for 6 months, will be more successful. To date, we have achieved a 72-percent positive placement rate, at a cost per participant of $4,100.

Already in this fiscal year, with a reduced operating budget down to $7.1 million, we have served 2,860 participants. This population consisted of 1,305 public assistance recipients, 49 percent minority members, 42 percent youth, 51 percent female, and 66 percent had not completed high school.

Under the direction of Orange County's Private Industry Council—PIC—the private sector initiatives program has identified demand occupations, designed appropriate training, and placed successful trainees in unsubsidized employment. Incidentally, many of these trainees were former Ford-Mahwah workers laid off 1 year ago, when Ford closed its largest plant in the United States.

Illustrative of this private sector leadership and effectiveness are two programs. The first, a machinist program, was established with the cooperation of the National Tooling & Precision Machinist Association, Federal and local government agencies, and private industry. Second, in conjunction with the Joint Apprenticeship Committee of Carpenters and Joiners, the PIC developed Federal and State approved preapprenticeship training programs.

Of those graduated from both programs, 83 percent obtained occupationally related employment. Successful programs like these is the reason the Orange County PIC has been designated as a national spotlight site by the U.S. Department of Labor. This is significant in that our selection was the only one in New York State with 122 selected out of 476 prime sponsors nationwide.

In an attempt to remedy labor problems as well as stimulate economic growth, the Orange County PIC joined efforts with economic development concerns to provide an effective marketing strategy to attract new and expanding industries. This action will provide the necessary jobs to offset those industries which have left the area. Additionally, these industries represent new employment opportunities.

In order to accomplish these future employment and training policies, we must manage by objectives. In the past, local CETA prime sponsors have been federally mandated to achieve numerous objectives that did not coincide with the immediate needs of the private sector.

Prior to the enactment of title VII's private initiatives program, CETA served as a panacea, addressing the ever-pressing social, economic and political issues. Our experience has crystallized the present-day objectives—reduce unemployment, reduce public assistance, increase productivity, and aid economic development.

To meet these objectives, ETA must have the ability to serve all targeted groups through classroom and on-the-job training. Orange

County's record indicates our recognition that training programs cannot merely provide for income distribution and supplemental income maintenance. Therefore, Orange County will continue to reduce public assistance expenditures and dependency through employment and training opportunities. Responsible management will be achieved by the distribution of necessary funds directly to the local prime sponsors.

The appropriate role of the private sector has been demonstrated by the Orange County Private Industry Council. Through this council, it becomes possible to coordinate the diversity of programs in a cost effective and efficient manner.

Having an appreciation and sensitivity for the need to reduce Federal spending as well as maintain an understanding of less government intervention and increased local determination, we have learned the lesson that Department of Labor funding formulas should adhere to the concept of true entitlement.

True need should reflect specific labor market characteristics and trends. These indicators include frequency and duration of unemployment, designation of a surplus labor market, employment growth rates, layoffs and closings, approved economic development programs scheduled for funding within the prime sponsor's jurisdiction.

This action will help counter the pattern of unexpended funds in certain prime sponsors and help put tax dollars where the most need is determined. With the elimination of public sector employment, it becomes imperative that we serve those at or below 100 percent of the lower living standard.

In order to maximize the use of limited Federal funds, we must eliminate duplication and provide a comprehensive and coordinated program by utilizing a central delivery service system, and that is CETA.

Mr. Chairman, as I have indicated, Orange County is a fine example that CETA works. Thank you very much; it has been a privilege and a pleasure to testify before this committee.

Senator QUAYLE. Thank you very much.

To keep to the 5-minute rule, we now have a set of lights here. The red light means to stop; the green light is "go," and when it gets to the amber light, that means that you have 1 minute. I would hope that we would be able to stay within the 5 minutes, because I have some questions.

You can read your statement if you want to, but my preference is for you to summarize and really get to the heart of it, because I have read these statements. If you can summarize for us and we can get to some questions, I think it will be far more productive.

So, go ahead and proceed.

Mr. SCOZZAFAVA. Mr. Chairman and members of the committee, I am pleased to have the opportunity today to appear before you to discuss the future of CETA. CETA has been a part of my life for the past 8 years, and I am proud to have been instrumental in serving over 22,000 economically disadvantaged persons in Niagara County.

I have talked to many of these people and have discovered that they want desperately to be self-supporting and productive members of society. Over 50 percent of those we have served are former welfare recipients who have voluntarily elected to work or be trained rather than be dependent on the welfare system.

Despite high unemployment in Niagara County, which has averaged between 8 and 11 percent, we have a 60-percent positive placement rate for participants who have received training in the classroom, on the job, and in work experience situations.

It is a fact that the CETA participant tries harder to do a good job, knowing well that he or she will be given the opportunity to receive a permanent job when one becomes available. The county of Niagara, over the past several years, has hired over 300 participants as permanent county employees. Our towns, villages and our nonprofit organizations have been just as much a part of this success.

As we look ahead to 1982 and to the reauthorization of CETA, we ask ourselves some very important questions. What are our objectives now? How do we carry out these objectives? What have we learned from our past experiences?

It is clear to me that we only have one objective, and that is to have a well-trained individual for every job opened in private industry. Statistics have shown that four out of every five jobs lie in the private sector. Therefore, there is no doubt that private sector involvement is vital in implementing these programs.

The Private Industry Council was developed under title VII with this exact task in mind, and we must be allowed to expand on this concept in order to provide the right training for the right job.

It has been our experience since the inception of the Private Industry Council that it is even more critical that the private sector contribute to program design. Training, upgrading and retraining must be a joint effort between CETA and private industry.

A perfect example of this is a recently negotiated contract, a cooperative effort between Niagara County and Buffalo-Erie County's Private Industry Council. A local company which was supplying the automobile industry was ready to fold due to foreign competition. They restructured their company to serve the aircraft industry. With our aid, they are retraining and upgrading their employees. Fifty jobs were saved and 50 new jobs were created at the entry level.

Who should carry out these objectives that I have stated? It is perfectly clear that the only one who can accomplish these goals is the local prime sponsor. We know the atmosphere of our economy; we know who are most in need, and we have an excellent relationship with the 150 local agencies who are a vital link in accomplishing these goals.

In the last several years, I have developed a good working relationship with our regional office. As you know, the CETA program is very regulatory. When interpretation must be made, it flows from the Department of Labor, to the regional office, to the prime sponsor. The shorter the chain of command, the more efficiently the goal is attained.

Block grants have been proposed as an alternate means for funding the CETA program. If the block grant concept is given to the State, I guarantee you this: there will be duplication of services on the State level, the most in need will not be served, and administrative costs will rise while the amount of money actually spent on participants will decrease.

I feel that the prime sponsor system has performed admirably, despite varied adverse circumstances. We have displayed the flexibility to accomplish any task, no matter how large or whatever the time constraints.

During the snow emergency and the blizzard of 1977, we answered the call by hiring and deploying 300 people within 2 days to eliminate the crisis. I think the above clearly demonstrates that our local government cares about the people of its community. It is important that there be checks and balances at the local level in order to eliminate fraud and abuse.

I can safely say that our prime sponsor, along with the majority of the 476 primes across the country, has an efficient system in place to meet the needs of this Nation's unemployed. We have the capabilities, the linkages, and, most of all, the necessary experience to aid our economy. Do not let the past 8 years go to waste.

This concludes my statement. I will be happy to answer any questions. Thank you.

[Information supplied for the record follows:]

REPORT TO SUBCOMMITTEE
ON
EMPLOYMENT AND PRODUCTIVITY
SENATOR DAN QUAYLE, CHAIRMAN

Submitted by:

Louis B. Scozzafava, Director
Niagara County Employment
and Training Department

Russell C. Parker, Chairman
Niagara County Legislature

June 19, 1981

(Note: Certain portions of this report which contained newspaper articles, brochures, and photographs impossible to reproduce, were retained in the files of the committee due to mechanical limitations and in the interest of economy.)

CETA's talkin' PROUD

Niagara
County

NIAGARA COUNTY
EMPLOYMENT AND TRAINING DEPARTMENT
5467 UPPER MOUNTAIN ROAD
LOCKPORT, NEW YORK 14094

LOUIS B. SCOZZAFAVA
Director

(716) 434-9191
(716) 439-6077

The Niagara County Employment and Training Department administers CETA funds appropriated to this Western New York area.

Our manufacturing economy is highlighted by automobile, chemical, and electro-mineral fields. Agriculture and tourism are also vital.

We have an unemployment rate of 10.3% - the highest in the state and second in the nation. Despite this high rate, we have proven that CETA works in Niagara County.

You can see from the following how effective and successful our programs have been.

Thank you,

Louis B Scozzafava

Louis B. Scozzafava
Director

CLASSROOM TRAINING

For many, CETA classroom training programs are a necessary intermediary between secondary school and the work force. CETA provides the opportunity for training to young adults who perhaps were too immature to realize the importance of preparing for the future during high school years. We provide retraining opportunities for laid-off workers, which is especially important in Niagara County's economically depressed area.

Over the years we have developed a complete mix of services from adult basic education programs leading to a General Equivalency Diploma to class-size skills training or individual referral to local business schools, community colleges, and practical nursing training.

We have the expertise to assess an individual's needs and develop a plan which leads to gainful employment. Our entered employment rate for fiscal '81 classes is at 78%.

FREE SKILLS TRAINING

WELDING
MACHINE SHOP
ACCOUNTING-BOOKKEEPING
ELECTRONICS TECHNICIAN
BUILDING TRADES
SECRETARIAL SCIENCE
CLERK-TYPIST
DIESEL MECHANIC

The Niagara County Employment and Training Dept. is accepting applications for free training.

TO BE ELIGIBLE, an applicant must:

1. Be a Niagara County resident; AND
2. Meet the federal definition of economically disadvantaged (which means low family income; AND
3. Be unemployed at least seven (7) consecutive days. For Building Trades and Clerk-Typist, you must be unemployed for 15 of the last 20 weeks.

APPLY AT THE FOLLOWING LOCATIONS

Mount View Health Facility
Shaw Building 3rd Floor
5467 Upper Mountain Rd.
Lockport, N.Y.
8:30 a.m. to 11:00 a.m.
1:15 p.m. to 3:30 p.m.

Niagara County Office Bldg.
Room 125
Third and Cedar
Niagara Falls, N.Y.
8:15 a.m. to 11:00 p.m.
1:15 p.m. to 3:00 p.m.

Beginning September 2, both offices open at 9 a.m.

DOCUMENTATION IS REQUIRED - BRING

1. **PROOF OF HOUSEHOLD INCOME FOR PAST SIX MONTHS,** i.e. all wage stubs or a statement from employer, pension award statements, social security benefit letters, child support statements, and verification of any other income.
2. **UNEMPLOYMENT BOOK,** if currently receiving benefits or received benefits within last six months.
3. **CURRENT MEDICAL I.D. CARD,** if welfare recipient.
4. **DD214,** if veteran.
5. **PROOF OF AGE AND CITIZENSHIP.** Birth certificate proves both.
6. **PROOF OF ADDRESS,** i.e., utility bills, rent receipt, etc.

If any questions, CALL 434-9191

LEARN AND EARN

You May Qualify For A Training Allowance

WORK EXPERIENCE

TARGETING ON DISPLACED HOMEMAKERS:

- to restore confidence
  - to develop skills
    - to build competence on the job

TARGETING ON SINGLE PARENTS:

- to restore proficiency
  - to develop independence
    - to build employability and coping skills

TARGETING ON EX-OFFENDERS:

- to restore reputation
  - to develop self esteem
    - to build steady work record

A Work Experience Job - PUTTING THEORY INTO PRACTICE

ON-THE-JOB TRAINING

This program has been the most successful over the past several years, with a positive placement rate of over 85%. We have been able to establish an excellent relationship between CETA and Private Industries in Niagara County.

Positive Facts:

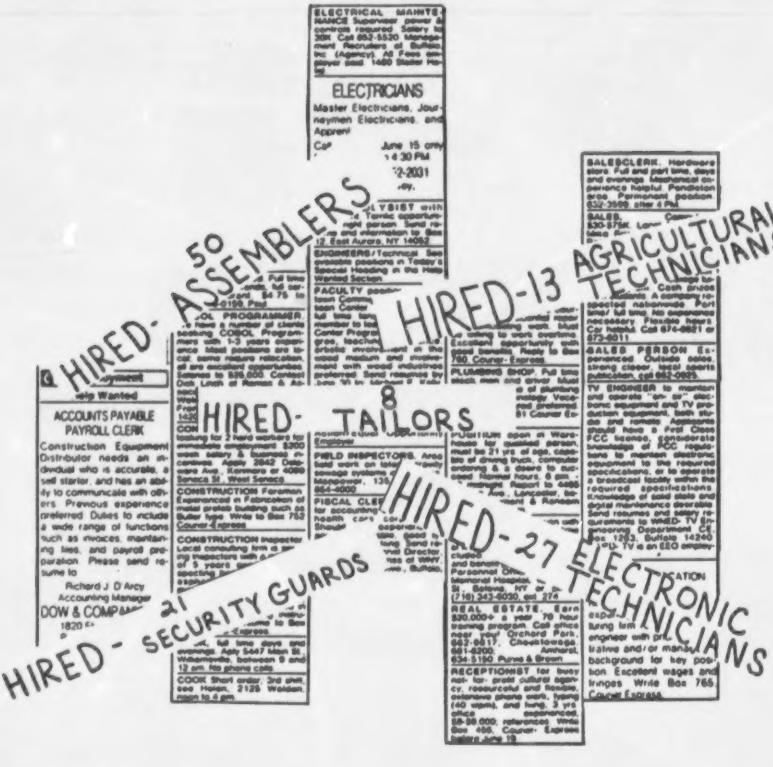
1. After 90 days, 90-95% of all CETA placed in OJT were still in the same related field.
2. The average wage rate for our CETA OJT contracts ranges between $5.00 and $5.99 per hour.

The relatively high continuous Entered Employment Rate of 85% leads to the following conclusions:

1. Quality development and selection of stable job training sites.
2. Referral of compatible potential trainees of these training sites.
3. A commitment on the part of private industry to become actively involved with the program.

PRIVATE SECTOR INITIATIVE PROGRAM

Private Sector Initiative Program, the newest CETA program, continues to provide proof that private industry and the public sector can work smoothly together toward a common goal - creating long term private sector jobs in those areas that most need skilled employees.


HIRED- 50 ASSEMBLERS
HIRED-13 AGRICULTURAL TECHNICIANS
HIRED- 8 TAILORS
HIRED-27 ELECTRONIC TECHNICIANS
HIRED- 21 SECURITY GUARDS
ELECTRICIANS
Help Wanted
ACCOUNTS PAYABLE PAYROLL CLERK

YOUTH PROGRAMS

The three youth programs within CETA are designed to provide young people in the 14-21 age group with a positive first-step into the work community while encouraging the participant to remain in-school and get their high school diploma.

-- 90% of all participants receive their high school diploma or GED while in the program!

In-school youth employment programs and the summer youth program offer close supervision in entry level jobs at a relatively low cost.

-- more than 750 economically disadvantaged youth have provided tangible community services for 10 weeks at an average cost of $888.00 per person for the whole summer!

The experience in these jobs creates better work habits and an environment conducive to learning by "hands-on" experience.

The flexibility of the Comprehensive Employment and Training Act allows each Prime Sponsor to develop specific programs geared to that Sponsor's individual economic problems. From youths to older workers, from classroom training to on-the-job training, from adult work experience to employee job upgrading, CETA serves the broad spectrum of America's unemployed.

The word is out on the street - from the former welfare recipient now working, to the laid off General Motors production worker being retrained, to the local businesses finally getting quality trained employees - CETA WORKS - CETA MEANS BUSINESS.

The reason that CETA has worked in Niagara County is because of the hard work and dedication of the staff over the past eight years. Don't throw away 100 combined years of experience.

Senator QUAYLE. Thank you very much.

Mr. LIGNELLI. Mr. Chairman, my name is Lou Lignelli. I am here today to testify on behalf of the Washington County Employment and Training Agency. I represent a unit of county government in southwestern Pennsylvania, and I appreciate the opportunity to voice our concerns on many issues affecting employment and training policies.

Since its inception, the Comprehensive Employment and Training Act has been viewed as a means to reach many objectives. Given a reduced level of funding or even the current funding level, specific objectives must be established— specifically, a reduction in local welfare dependency, an increase in the productivity of the work force, and assistance in private sector training—by providing the mechanism through which individuals acquire or reacquire skills.

We believe that in order for employment and training programs to be successful and meet the stated objectives, the central focus of future programs should be the education and training of individuals which enable them to increase their skills.

CETA should provide the mechanism through which the economically disadvantaged acquire skills. Participants should be fully tested and assessed, providing a comprehensive picture of the skills and abilities needed to increase their employability. Those with the background and the needs relevant to current skill training programs should be enrolled.

Simultaneously, training or retraining programs focusing on the skills and abilities which will be usable in the labor market should be developed, recognized and used. Only by assessing individuals' capabilities and giving them the opportunity to acquire skills which are and will be in demand is the goal of CETA going to be reached; that is, making more people employable.

Prime sponsors are mandated to serve the economically disadvantaged, overall, and a multitude of specific segments of the population. We do not believe that CETA is able to effectively and individually provide services to all of these targeted groups.

CETA should first and foremost, on a nationwide basis, serve the poor. Utilizing the term "poor" as eligibility criteria could simply mean using criteria which has been established; that is, those individuals receiving some form of public assistance payments or those receiving unemployment insurance whose skills are no longer marketable. This would streamline the whole process of eligibility. This would also provide a distinct linkage between employment and training and income maintenance programs, in addition to promoting economic independence.

Individuals who are more likely to succeed should be given service preference. Potential for success is easily recognizable through comprehensive testing, assessment and counseling service prior to enrollment.

Furthermore, special provisions for youth who are in desperate need of employment and training services should be included in the future programs and policies.

In conjunction with the restricted criteria of an eligible population, an appropriations method different from what is currently being used is also proposed. Like the current system, we propose a formula approach and that it be based simply upon the number of welfare recipients residing in each jurisdiction.

In addition to the formula appropriation, an incentive allocation should be made available. Incentive moneys should be allocated to prime sponsors who have best administered their programs. These incentives would be based upon those prime sponsors having received the highest ratings from the Department of Labor's annual assessment.

It is our opinion that the employment and training programs administered under CETA have indeed worked. Title II-B has enabled individuals to acquire skills training in needed vocational fields. These services provided under title II-B, and most particularly classroom training through private trade schools and on-the-job training, are increasing participants' employability, and they are finding jobs.

We believe that the emphasis on skills training should be increased in future employment and training programs. Youth programs administered under title IV of CETA have also been successful. Through participation in title IV activities, youth have been able to obtain skills training, general equivalency diplomas, work experience, and career exploration. We believe that while title IV may not substantially reduce the unemployment rate of youth, young people who have participated are electing to continue their education or vocational training after their CETA experience.

To summarize, it is our position that employment and training programs have worked in the past. I thank you, Mr. Chairman. I would be glad to entertain any questions you may have.

[The prepared statement of Mr. Lignelli follows:]

STATEMENT

on behalf of the

WASHINGTON COUNTY, PENNSYLVANIA PRIME SPONSOR

on

EMPLOYMENT AND TRAINING ISSUES

submitted to the

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
UNITED STATES SENATE

June 19, 1981

Mr. Chairman, Members of the Subcommittee: I am here today to testify on behalf of the Washington County, Pennsylvania CETA Prime Sponsor and its administering organization, the Washington County Employment and Training Agency. I represent a unit of local government and I appreciate the opportunity to voice our concerns on the many issues affecting employment and training policies and programs.

In order to devise effective employment and training programs and policies and, subsequently, evaluate the success of such programs, it is necessary to establish specific realistic objectives. First, it must be decided exactly what it is we want to achieve. Then, the ways and means to meet these goals and objectives must be developed.

Since it's inception, the Comprehensive Employment and Training Act, commonly known as CETA, has been viewed as a means to reach many objectives. Reduction in the overall unemployment rate, reduction in the unemployment rate of particular population segments, increased work force productivity, reduction in welfare dependency, and assistance in economic development activities have all been cited, at one time or another, as objectives of CETA. While all employment and training programs strive to meet these common goals, CETA has been seen as one of the primary vehicles. We believe that it is somewhat unrealistic to assume that CETA and the 472 Prime Sponsors responsible for administering the Act are able to successfully meet all of these objectives given the current level of funding.

Locally, in Washington County, Pennsylvania, the civilian labor force is comprised of approximately 95,000 people. (total population is 218,000). Of these, almost 7,500 persons are currently unemployed. It is estimated that approximately 13,500 economically disadvantaged persons and 2,500 welfare recipients will be in need of employment services in FY 82. Given the planned FY82 allocations, it is virtually impossible to services even 10% of the economically disadvantaged in need. This fiscal year (FY81), the Washington County Employment and Training

Agency estimates that it will serve 2,100 individuals with a total annual allocation of approximately 6.5 million dollars. Our planning estimates for Fiscal Year 1982 equal $2,139,000, representing 90% and 85% respectively of this year's Title IIB/C and VII allocations. With these funds available to us, we can expect to serve 671 persons, a small percentage of the unemployed, the economically disadvantaged, and welfare recipients.

My point is this: With a reduced level of funding, or even at the full funding level of FY82, Washington County CETA and Prime Sponsors as a whole can not be looked upon as the means to meet all of the objectives stated previously. We can not substantially reduce unemployment or assist significantly in economic development activities without an ample increase in private sector funding. We can, however, reduce local welfare dependency, increase productivity of the work force, and assist in private sector training providing the mechanism through which individuals acquire or reacquire skills. It is our belief that employment and training policies and programs should be focused upon meeting these objectives.

Subsequent to establishing objectives of employment and training policies, it is necessary to develop methods through which the objectives can be reached. One means in the past has been the offering of certain incentives, such as wage subsidies, tax credits, etc., to employers in the private sector. While these methods do encourage cooperative involvement between federal employment and training programs and the private sector, it is our experience for the most part in Washington County, that these methods have not been successful. In FY 80, 193 Targeted Jobs Tax Credit vouchers were issued to participants of the Washington County Employment and Training Agency. Only 2 of these vouchers were certified by private employers. On-The-Job Training programs have been more successful in Washington County (54 OJT enrollments in FY 80 with 23 individuals entering employment), but the program overall is not readily acceptable to the private sector employers in the county. They seem to exhibit somewhat of a reluctance to be involved in federally funded employment and training programs.

A second method utilized in the past for carrying out employment and training policies is the education and training of individuals which enable them to increase their skills. We believe that, in order for employment and training programs to be successful and meet the stated objectives, this method should be the central focus of future programs. CETA should provide the mechanism through which economically disadvantaged acquire skills. Participants should be fully tested and assessed, providing a comprehensive picture of the skills and abilities needed to increase their employability. Those with the background and the needs relevant to current skills training programs should be enrolled. Simultaneously, training or retraining programs focusing on the skills and abilities which will be usable in the labor market should be developed, recognized, and used. Only by assessing individuals' capabilities and giving them the opportunity to acquire skills which are and will be in demand, is the goal of CETA going to be reached - making people more employable.

While policies and programs designed to increase the efficiency of labor markets through such measures as job matching, labor market information, and antidiscrimination programs are relevant to employment and training programs and services, they are secondary to the main purpose of such programs. First, we believe that funds sufficient for the training and subsequent employability enhancement of individuals should be made available. Only then, will increasing the efficiency of labor markets prove to be truly beneficial.

Public sector job creation programs, through the provision of wage subsidies, have also been used in the past to meet the objectives of employment and training programs and policies. President Reagan has announced the possibility of establishing a program of this type - Workfare. If Workfare is established in the method which has been proposed, i.e. employable welfare recipients perform jobs in the public sector, the decision as to what level of government (state, local, etc.) should administer the program must be made. In contrast to placing Workfare in the hands of the states through the Departments of Employment Security or Public Welfare, we propose that such a program would best be established in the CETA Prime Sponsors. CETA Primes have had considerable experience in public sector job creation programs through Titles IID and VI Public Service Employment. Workfare, administered through CETA, would permit full utilization of existing staff abilities, linkages with other agencies, and coordination with established CETA skills training programs.

It is true that typically focused on a wide variety of target groups, including displaced homemakers, the handicapped, youth, older workers, etc. CETA Prime Sponsors are mandated to serve the economically disadvantaged overall and a multitude of specific segments of the population. We do not believe that CETA is able to effectively and individually provide services to all of these target groups. Very simply, we are expected to do all things for all groups of people. This, more than likely, has hindered the performance of CETA Prime Sponsors as they are currently judged. CETA should first and foremost on a nationwide basis serve the poor. Utilizing the term "poor" as eligibility criteria could simply mean using criteria which has already been established, that is those individuals receiving some form of public assistance payments and/or those receiving other forms of government subsidy (Unemployment Insurance, etc.). Beyond that, other groups, e.g. veterans, handicapped, etc., should be served proportionate to their representation in the population of the jurisdiction's geographic area. Within this realm, we feel that, given the current performance standards placed upon CETA Prime Sponsors, individuals who are more likely to succeed should be given service preference. Potential for success is easily recognizable through comprehensive testing, assessment, and couseling services prior to enrollment.

The block grant approach would aid in implementing this approach and decategorizing CETA services. However, the block grant method may also shut out groups, particularly youth, who are in desperate need of employment and training services. A main concern is that the reduced funds in CETA and the reduced funds in education may seriously prohibit youth from acquiring the educational background and skills necessary for employment. We feel that special provisions for youth programs should be included as an inherent aspect to the block grant concept.

We feel that there should be a strong relationship between the policies and programs of employment and training and those of income maintenance. The concept of Workfare itself provides a distinct linkage between employment and training and income maintenance policies. As stated previously, participation in an income transfer program should provide the central criteria for enrollment in CETA services. Individuals receiving Public Assistance or other forms of federal subsidies should be screened, i.e. tested and assessed, for CETA services. This will provide participants not only with the employment and training skills and abilities necessary to enhance their chances of future employment, but will also promote economic independence among income-transfer recipients.

To address the issue of the appropriate relationships between federal, state, and local governments in the funding, design, and administration of employment and training programs, we feel that CETA has been an effective means of implementing this nation's employment and most particularly, training efforts. Any attempt to substantially change this system of administering employment and training programs would be unwise. Traditionally, programs funded with federal monies, which have been passed on to states, and then to local governments to administer, incur high administrative costs. States have tended to take off a high portion of the costs for administrative expenditures, leaving less for the programs and clients for whom the services are intended. This can be evidenced in Title XX monies under the Social Security Act, funding for the elderly under the Older Americans Act, and monies under vocational and rehabilitative services.

A reasonable balance between protection of Federal funds and local autonomy can be achieved through the block grant approach and modifications in the appropriation and management methods of CETA programs. The block grant concept would move CETA back to it's initial stages of providing various services under one Title of the Act. This would allow for Federal policies to be achieved and, at the sametime, provide for local flexibility. Since 1978, CETA has become too categorical, existing predominantly as a collection of special programs designed for certain groups of people. Much has been said concerning the mismanagement of CETA funds. We believe that this categorization of CETA programs and the resultant layers of regulations have contributed to cases of mismanagement. An appropriations method different from what is currently used may help to curtail mismanagement of funds. Like the current system, we propose that a formula approach of funding to Prime Sponsors be utilized. However, this formula should be based upon the number of welfare recipients residing in each prospective jurisdiction, not on the current unemployment rate. As stated before, we don't view CETA as a means to substantially reduce unemployment. Why then, should unemployment statistics be used in the allocation of funds to Prime Sponsors? In addition to the formula appropriation, an incentive allocation should be made available. Incentive monies should be allocated to Prime Sponsors who have best administered their programs, i.e. those with the highest ratings. This would substantially reduce the mismanagement of funds by rewarding Prime Sponsors who exhibit the best administrative capabilities.

Private Sector participation in the design and implementation of employment and training programs and policies is highly desirable since the strong majority of employment opportunities are in the private sector. However, the types of private sector involvement must be changed to some extent in order to be successful. As stated previously, private sector involvement in the services offered by the Washington County Employment and Training Agency has not been very difficult to obtain. In Washington County and throughout the nation as a whole, we believe that there is no true committment from the private sector to work with disadvantaged groups in both employment and training. Whether it is due to a desire not to be held accountable for Federal funds, an aversion to the paperwork and red tape associated with the employment and training of CETA participants, or a stigma placed upon the types of individuals served under CETA, the private sector programs simply have not been successful up to this point. We believe that, if let alone, the private sector programs simply have not been successful up to this point. We believe that, if let alone, the private sector won't take care of these groups of people. It will be necessary for the Federal government to exert influence, through regulation, to ensure cooperation of the private sector in employment and training activities. CETA should use the private sector and, in particular, privare training institutions, as the vehicle for increasing individuals' opportunities for employment.

In terms of coordinating the diverse sets of programs which constitute the employment and training system, we feel that it is necessary and advantageous for such coordination to exist. CETA Prime Sponsors are, essentially, mandated to exhibit coordination efforts with many programs though it can be timely and costly. Such coordination may be difficult, particularly in extemely metropolitan or rural areas, but in Washington County, we have constant formal and informal relationships and coordination efforts among agencies throughout the county. Communication among the various agencies impacting the delievery of employment and training services is essential and constant in the administration of Washington County's CETA programs. In both the block grant and Workfare concepts coordination is inherent and we believe that these systems would allow for full utilization of all employment and training efforts.

It is our opinion that the employment and training programs administered under CETA have, indeed, worked. Title IIB/C has enabled individuals to acquire skills training in needed vocational fields. During FY 80 in Washington County, classroom training programs exhibited a 47% entered employment rate. For on-the-job training, the rate was 58%. Planned versus actual participation figures for IIB/C ranged from 80-124%, with the figures steadily improving during this fiscal year. The services provided under Title IIB/C are increasing participants' employability and, as evidenced in these statistics, they are finding jobs. We believe that the emphasis on skills training should be increased in future employment and training programs.

Youth programs, administered under Title IV of CETA, have also been successful. Through participation, in Title IV activities youth have gone on to receive skills training, been able to obtain General Equivalency Diplomas, received work experience, and undergone career guidance and exploration. Also important, the youth have been kept occupied, exhibiting involvement in community services and the work force. We believe that, while Title IV may not substantially reduce the unemployment rate of youth, it does help to increase the chances of young people to obtain successful and productive jobs.

We can support the elimination of Title VI, Public Service Employment for the cyclically unemployed. However, we feel that some semblance of Title IID, designed for the structurally unemployed, should be maintained. Enrollment in IID Public Service Employment provided people, not only with a job and the chance to earn money, but also with a sense of worthiness and pride in themselves. Title IID, combining employment opportunities and heavy emphasis on skills training, was successful in Washington County-over 50% of the individuals enrolled in FY 80 entered unsubsidized employment upon termination.

To summarize, it is our position that employment and training programs have worked in the past and, with some changes, will continue to be successful. We support the block grant concept, allowing Prime Sponsors to determine the program mix most suitable to their jurisdiction. Within this block grant, however, special provisions for serving youth should be established. We also favor the incentive allocation as a bonus to Prime Sponsors who administer programs well. Lastly, we believe that a focus on skills training and an emphasis on serving the poverty population of this nation will allow for improved and successful programs in the future.

I thank you, Mr. Chairman and members of this Subcommittee for allowing representatives of CETA Prime Sponsors and local government to input their concerns and opinions on the future of employment and training programs and policies.

Senator QUAYLE. Thank you very much.

Mr. STEWART. Mr. Senator, I am Bob Stewart from Lancaster County, Pa., the executive director of the employment and training agency there.

I just have a few comments I want to make. I certainly will not read the text of my statement. I feel that the Comprehensive Employment and Training Act has come to be viewed by our community as a social service. This view evolved by the practice of CETA prime sponsor linkages with social agencies to provide services that are allowable under the act. These allowable services became a part of the act due, I am sure, to the social consciousness of the Congress or social interest groups who have voiced their preferences to the Congress.

CETA has become a supplement to other social services. The consequence is that CETA is guided more by social policy than employment and training policy. In my view, employment and training policy should be a significant element of overall U.S. economic policy, as opposed to being an element of social policy.

The consequence of training should be employment. Employment impacts upon economic factors in that it provides income to the employed; it provides contributions to Federal, State, and local taxes; it provides for increased productivity in both goods and services; and it liberates people from dependence upon social welfare systems.

Now, there are five areas that concern me about the act, and they are: income maintenance, target groups, client eligibility, economic development, and tax credits. I will just make a comment about each one.

I do not think that the Comprehensive Employment and Training Act should be an income maintenance program. We already have our regular welfare systems, and we have SSI and we have unemployment compensation as income maintenance programs.

I think the training allowance concept during training, as a stipend for trainees, should be eliminated, or at least reduced. That does not mean to say that we would take away dollars that are necessary to provide transportation, some limited child care, and perhaps even a lunch for people in training programs.

My second concern is that of target groups. If we summed all the target groups together that are now listed and required for us to serve under the regulations, that sum is greater than 50 percent of the already existing labor force. I think the basic target groups should be economically disadvantaged, unemployed and under employed persons.

Now, within these target groups, I think there are some individuals who can be served and some who cannot. The individuals who can be served should be served in a manner which best meets their interests, their abilities, their motivations, and the community resources at hand.

Emphasis should be placed upon employment and training needs. Those persons requiring services not directly related to ultimate employment in a relatively short time should be referred to agencies already in place and better equipped to provide the services.

For instance, those requiring basic education or a GED diploma should be referred to a local certified education agency.

Client eligibility bothers me. I do not like the unilateral income requirement. I think that there are other criteria which determine a person's needs, and they are attached to exhibit C of my written presentation.

I think that all economic development grants—UDAG, CD, and ED grants—should have tied to them a requirement for the hiring of a certain percentage of disadvantaged individuals.

As regards the targeted jobs tax credit, I think that that should be eliminated and a blanket tax credit be given to every employer who hires a disadvantaged person without a complicated formula.

That brings a conclusion to the remarks I wish to make, and I thank you, Senator.

[The prepared statement of Mr. Stewart follows:]

Lancaster County CETA

TESTIMONY
PRESENTED TO
U.S. SENATE SUBCOMMITTEE
FOR
EMPLOYMENT AND PRODUCTIVITY
CONCERNING
EMPLOYMENT AND TRAINING POLICY

I appreciate and welcome the opportunity to present my views on five general areas of employment and training policy i.e. income-maintenance, target groups, client eligibility, economic development, and tax credits. The Comprehensive Employment and Training Act has come to be viewed by the community as a social service. This view has, undoubtedly, evolved by the practice of CETA prime sponsor linkages with social agencies to provide some services allowable under the Act. These allowable services became part of the Act due to the social consciousness of the Congress or social interest groups who voiced their preferences to the Congress. CETA has become a supplement to other social services. The consequence is that CETA is guided more by social policy than employment and training policy.

In my view, employment and training policy is, or should be, a significant element of economic policy, as opposed to being an element of social policy. The consequence of training should be employment. Employment impacts upon economic factors in that it provides income to the employed; provides contributions to federal, state, and local taxes; provides for increased productivity of goods and services; and liberation from social welfare dependence.

Presuming that employment and training policy is more an element of economic policy and not an element of social policy permits me to address the five aforementioned issues:

1. Income-Maintenance: Income maintenance in CETA training programs can reach the point where there is a greater monetary benefit during CETA training than can be obtained by entering unsubsidized em-

ployment. Let me draw your attention to Exhibit A (attached). You will see that, in one particular training program, the sum of stipend and other subsidies to remove barriers to participation provides a net expendable income at an hourly rate far higher than can be expected upon entering unsubsidized employment. The effect here is to furnish participants with a greater incentive in training than in unsubsidized employment. It may serve as a disencentive to accepting employment. A representative list of programs having this effect is attached on Exhibit B.

One solution to this problem would be a much reduced stipend or complete removal of the training allowance requirement.

A second possible solution would be to provide a stipend equal only to the extraordinary cost of particupation in training, i.e., transportation, lunch money, and perhaps a limited day care.

2. Target Groups: The basic target group should be economically disadvantaged, unemployed, or underemployed persons. However, within the universe of this target group, individuals should be served in the manner which best meets their needs, interests, abilities, motivation, and community resources. Emphasis should be placed upon employment and training needs. Those requiring services not directly related to ultimate employment in a relatively short time should be referred to agencies better equipped to provide the services. For instance, those requiring basic education (ABE) or general education diploma (GED) should be referred to local certified education agencies who have the facilities and qualified personnel.

Specific categorical targeting according to demographic data is probably not necessary because these segments most likely represent the bulk of the disadvantaged unemployed.

3. Client Eligibility: Eligibility on the basis of family size and annualized income is a good start in the right direction, but I cannot accept the view that a member of a family of four having an annualized income of $9,021 is any better off economically than one with an annualized income of $9,020. Additional weighted criteria might be

included in the eligibility formula. These criteria could include weeks unemployed, age of client, age of family members, hours of previous skill training, school grade completed, time out of school and others. Exhibit C is a model eligibility or priority matrix composed of some additional weighted criteria. It is only representative and is intended to illustrate a point.

Consider two persons applying for the CETA Program. Jim's characteristics are indicated by circled criteria items and Jack's are framed. Jim is eligible by income criteria for a family of four. Jack is over the eligible income level, but Jack has the characteristics which, when considered, should indicate that he is just as much in need as Jim.

I am not suggesting that this matrix should be used but it points out one approach to eliminate the hard-line single criteria of annualized income for participant eligibility.

4. Economic Development: Funds providing for economic development in the form of grants or loans should have mandated with their issue the requirement to hire a percentage of economically disadvantaged.

5. Targeted Jobs Tax Credit: A tax credit to stimulate the hiring of disadvantaged persons should be included in any new legislation. The tax credit should be a fixed sum and should not be computed by complicated formula.

Respectfully submitted,

Robert B. Stewart, Jr
Executive Director
Lancaster Employment
& Training Agency

RBS:acr

EXIBIT A

INCOME-MAINTENANCE VS. UNSUBSIDIZED EMPLOYMENT

OCCUPATIONAL SKILLS TRAINING IN COSMETOLOGY

Training hours per week: 35

Training allowance: $3.35

Net weekly training allowance	$117.25
Day Care $6/day X 5 days	30.00
Transportation allowance $2/day X 5 days	10.00
Net expendable income	$157.25

Gross equivalent wage	$191.40
Gross adjusted hourly wage	$ 5.469
Lancaster average entry hourly wage	$ 4.32

Pay Checks Deductions

FICA	6.65 %
Withholding	8.00 %
State Tax	2.20 %
Local	1.00 %
	17.85 %

EXHIBIT B

TRAINING PROGRAM	TAKE HOME	GROSS EQUIV.	HOURLY RATE	LANC. CO. AVG. START RATE
COSMETOLOGY	157.25	191.40	5.469	4.32
RETAIL SALES	118.75	144.55	5.78	4.19
SECRETARIAL	147.25	174.24	5.12	4.32
BULD. TRADES	155.63	189.45	5.05	3.88
WELDING	155.63	189.45	5.05	6.60
NON-TRAD JOBS	177.60	216.19	5.41	3.88
LPN	147.25	179.24	5.12	4.27
DENTAL ASSIST.	147.25	179.24	5.12	5.97
TRUCK DRIVING	204.80	249.30	6.23	5.47
DIESEL MECHANICS	204.80	249.30	6.23	4.62
MERIT SHOP	170.25	207.24	5.18	3.88

EXHIBIT C

ELIGIBILITY OR PRIORITY MATRIX

PRIORITY POINTS

CRITERIA	1	2	3	4	5	6	7	8	9	10
1. Age (years)	30	35	40	45	25	20	19	18	55	60
2. School Grade Completed	16	15	14	13	12	11	10	9	8	7
3. Time out of School (years)	1	2	5	10	15	20	25	30	35	40
4. Previous Skill Training (hours)	2,000	1,600	1,400	1,200	1,000	800	600	400	200	100
5. No. Persons Supported	1	2	3	4	5	6	7	8	9	10
6. Labor Force Absence (years)	1	2	5	10	15	20	25	30	35	40
7. Previous Work Experience (mos.)	80	70	60	50	40	30	20	10	5	2
8. Annual Income All Sources Dollars	12,000	11,000	9,020	7,000	6,000	5,000	4,000	3,000	2,000	1,000
9. Weeks Unemployed	1	2	3	4	5	6	7	8	9	10

When the actual numeric value of a characteristic falls between the values in the matrix (it usually will) record the priority points of the characteristic immediately to the right in the matrix.

Senator QUAYLE. Thank you.

Let me pick up right there on the targeted jobs tax credit and making it much more simple. How are we going to get the private sector more involved, or do you think they are already involved as much as they can be? I would be interested in each of your comments on that.

Mr. LIGNELLI. I would like to give a comment. I think that our participation with the private sector has been to the fullest extent, and that has not been too much. Without government involvement, I do not really think you are going to get the private sector's participation. I would like to give you one illustration of that.

As we were about trying to find jobs for displaced homemakers, I attended a recent organizational meeting of a small business association. What they were doing was giving testing procedures that the private sector could use, and this was strength testing. The procedure seemed very good and very simple; it was defined as four motions in terms of any strength type of job—push-pull, lift, and carry.

At the end of the demonstration, the whole approach was that this was a way to legally exclude females from employment in the private sector.

So, as we are about the business of trying to find jobs and programs for the displaced homemaker, we have another part that is actually thinking of ways and devising mechanisms by which those very same females could be excluded from the work force, legally.

Mr. STEWART. Senator, may I respond to that question, also?

Senator QUAYLE. Yes.

Mr. STEWART. I think the private sector is going to be very much concerned with the economic complexion. They are not as social conscious as we would like to believe them to be or as they purport themselves to be. But I think that if we provide an economic stimulus for the private sector and tie to it the requirement to employ disadvantaged people, we can do that.

They are looking at profit; the bottom line for them is dollars. If we cannot bring employment and training policy into the overall economic policy, I do not think we are going to get the kind of private sector involvement that we should and that we probably can have.

Senator QUAYLE. What kind of incentives is it going to take?

Mr. STEWART. Well, I think obviously the tax credit possibility is one. In our working with OJT for the seven targeted groups, we talked with employers. We said:

> Look, we are going to reimburse you half of the salaries you pay for the next 26 weeks. But after that, you can also qualify for up to $3,000 in TJTC, which is the limit.

As soon as you put pencil and paper to making that calculation, you discover that you end up with $926 and not $3,000. It differs from one employer to another because it is tied to the previous years through taxes.

That hookup with prior taxes makes the TJTC different for every employer. Of course, there is a limit on it, too—a $100,000 limit. So, if an employer is given a blanket tax credit for hiring—and I would say there has to be a requirement that he keep somebody on board for a year and then make it a blanket tax credit—I do not know what that amount should be. But it would be an economic stimulus to his hiring a person.

Mr. SCOZZAFAVA. Mr. Senator, I think two points have to be brought out here. One is that, as you know, CETA has not had a very good name, and in title VII, which we have accomplished in the last year and a half, private industry in Niagara County is just starting to come around.

I think we had to show our integrity and actually sit down with private industry and show that we could work with them. After a year and a half, I feel that my PIC system is just starting to get off the ground. Maybe some were a little shorter and some were longer, but it is this gradual approach to private industry, because they always stand back and look at you and they want to test the waters. So we are accomplishing now what we thought we could do a year and a half ago.

The second point is that when the Government passes these contracts out to, for example, Bell Aero Systems in Niagara County, there should be a definite tie-back with CETA. Many times, they say that the prime sponsorship will give the necessary personnel to Bell, and it is in the grant. But that is as far as we see it.

Sometimes, they say the prime sponsorship should sign off. Well, Bell does not come to the prime sponsorship and they end up hiring people, and these people could be the economically disadvantaged that we are serving. So, we need a linkage and help from Washington when they pass these contracts out to private industry.

Mr. REPLOGLE. Senator, might I suggest two things here for private sector involvement?

We have one of the finest PIC's in the country. We have eliminated paperwork; we eliminated 80 percent of the contractual paperwork with the private employer from 44 pages down to 8 pages. I did that myself.

No. 2, that brings in a motivating factor. I wish we could speed up the funding level. Our PIC is now down, today, to $17,000 for the balance of this year. Yet, region II, New York-New Jersey, had $50 million this year and it expended, as of March 31, $15 million.

I have no way, without going directly to the Secretary of Labor, to get new funding in my county, where I can prove I can put machinists to work, bank tellers, and a myriad of other occupations. So, I have got a prime sponsor, PIC, that is going to be demotivated because of the bureaucracy and lack of funding to a prime sponsor that can utilize it.

I know that other prime sponsors in New York State are way underexpended; I have got no way to reach those funds.

Senator QUAYLE. It has been brought up this morning, and it is no secret, that CETA has a bad name. Do you think that when we rewrite this bill next year, we ought to come up with a different name for our employment and training program? Is there no objection to that?

Mr. STEWART. Affirmative.

Senator QUAYLE. Affirmative. I think it is incumbent upon us to change the name.

One final question: I would like for you to comment on the system itself. You are the prime sponsors and you have the subgrantees. Is the system, the structure that is now established workable, manageable? Ultimately do you think it can be successful, or should we make some real substantive changes in the structure itself?

Mr. **Scozzafava**. Well, Senator, I feel this way: If you change the name and you give the money to another operator and there are not those checks and balances like there is on the local level, then the new name is going to have a bad name. That is why my local prime sponsor, under the leadership of the chairman of the legislature, has checks and balances of the money.

The money is funded through the legislature and I have to go through the checks and balances of the county. If you divert this money in a block grant to the State and then it trickles down to us, I feel that there will not be this control that we have today.

Senator **Quayle**. Even if they put a requirement on administrative overhead for the States, of, say, no more than, 10 percent?

Mr. **Scozzafava**. As you know, there are always ways of getting around 10 percent for administration; there are services to clients, and there are a lot of ways. Every time you take $1 out of services to clients, you then take the $1 away from the participant.

So, there are ways of operating, and I know the balance in the State of New York is very heavily administrative, and there is no need for it. I have been proud that in the last 5 years under my directorship, I have only used 80 percent of my administrative dollars. As a matter of fact, I have enough administrative carryover this year to run the entire department for next year.

So, I have a good delivery system in that I can do it with less administrative money, therefore giving the money to the participants. I believe that if you go any other way than the prime sponsorship, you are going to have more administrative money spent—money taken out of, for example, services to clients, and therefore less will actually get to the participant.

Senator **Quayle**. So, you think the system, as it is structured now—has nothing inherently wrong with it?

Mr. **Stewart**. May I respond, sir?

Mr. **Scozzafava**. We have some problems, but I think we can iron them out, and they are actually problems between the prime sponsor and the regional office.

Mr. **Stewart**. The two concerns that I would have—as the system exists right now, there is one heck of a lot of paperwork. The reports we have to put in—our monthly and quarterly reports—the number of them is almost astronomical. You do not have enough people to do it.

I am faced with the situation of cutting my staff in half, now, with the II-B grant that we have; that makes sense. But by the time I do the MIS that is required, the IMU monitoring that is required, and the accounting that is required, I do not have anybody to operate programs when that happens. Some constraints have to be removed from us, and a reduction in paperwork.

As regards the block grant, I think that every time money is passed through another agency, we lose some of it, and the client population is not going to get the service of that money.

I think that if a block grant system is adopted, it should be block grants directly to primes, pretty much on the same formula allocation rate that they do right now, as opposed to the State—directly to prime sponsors, with some of the fraud and abuse constraints that we should live with.

Mr. Lignelli. When CETA was originally designed, it was really fashioned to be all things to all people. I think that many of us have come to the realization that CETA has become overregulated because of that. But, once again, in terms of the system, I think it does work on the local level.

Most particularly, whatever system you do design in the future, I think you have to keep in mind that if the system is going to work, you are going to need the commitment and involvement of the local elected officials to make that work. Particularly on a county level where I am from, we administer the community development money, the UDAG money, and the HUD funds, and because of their involvement, they do require department heads to interact with each other in terms of having these programs work on the local level.

Senator Quayle. OK. Thank you all very much.

[The following material was received for the record:]

LOUIS HEIMBACH
COUNTY EXECUTIVE

June 19, 1981

Mr. Chairman:

I am Louis Heimbach, County Executive of Orange County, New York, a County with a long historical past. The citizens of Orange County have been taking an active role in history since Washington, right up to the present time when they welcomed back the former hostages from Iran. The intent of my speech today is to demonstrate the need for employment and training policies, to state who should be served by these policies and to give examples of successful programs which were designed and implemented to meet these policies.

Orange County is located 55 miles northwest of New York City. It is situated between the Hudson and Delaware Rivers. It encompasses 850 square miles. The population of Orange County is 259,603. There are three labor market cities; Newburgh, Middletown and Port Jervis, each with a population of less than 23,000. Orange County has a diverse economic base consisting of about 5,000 non-agricultural establishments including manufacturing, trade and services. Most businesses employ 25 people or less. Employees residing in Orange County have the third lowest average hourly wage in New York State.

The unemployment rate for Orange County is 8.9% with two of its cities experiencing unemployment rates of 12% or more throughout the year. There are 10,000 adults receiving public assistance. The New York State Bureau of Labor Market Information has identified 50,000 residents, or one-quarter of the adult population, in need of Employment and Training Services. This population includes unskilled laborers, persons with unmarketable skills, youth, handicapped, migrant workers and the elderly.

Orange County has economic and employment problems characteristic of urban and rural areas. The City of Newburgh with a population of 23,000 has an adult welfare population of 5,000. Like many other cities, Newburgh is experiencing a loss of industry and population with a continuing rise in poverty.

While employment service agencies, vocational schools and industry have individually focused on these problems, local CETA administration and policies have spearheaded an effective service network. Employment and Training Programs have become the unifying vehicle to serve a population in need. These services have reduced unemployment and welfare costs while increasing a productive labor market.

ORANGE COUNTY GOVERNMENT CENTER GOSHEN, NEW YORK 10924 TEL. 914-294-5151

While it is true that most public policy has tended to focus on the role of government in employment and training programs, the Orange County ETA has not. Since 1974, Orange County has long recognized the need to turn to private sector for assistance in program design and implementation.

Through these cooperative working relationships, Orange County ETA has been nationally cited by such organizations as the U.S. Department of Labor, The American Bar Association, Youthwork, Inc. and the Vice-Presidential Task Force on Youth.

While the programs were cited as being exemplary, the obvious question in light of today's economic situation is at what cost and how effective.

In FY 80 with an operating budget of $10,929,578 we were able to serve 3,405. Of these; 1,246 were receiving public assistance. This afforded local taxpayers a $7.7 million savings in public assistance costs.

The FY 80 Employment and Training Program proved cost effective. 73% of those who terminated either entered unsubsidized employment, remained or returned to school or entered other training programs. The cost per placement was $3,719, well below the cost attributed to public assistance.

While the FY 80 statistics are impressive, the FY 81 program based on current data will be more successful. To date, we have achieved a 72% positive placement rate at a participant cost of $4,180.

Already in this fiscal year, with a reduced operating budget of $7,160,592, we have served 2,860. This population consisted of 1,305 public assistance recipients, 49% minority group members, 42% youth, 51% female and 66% had not completed high school.

Under the direction of Orange County's Private Industry Council (PIC), the Private Sector Initiatives Program has identified demand occupations, designed appropriate training and placed successful trainees in unsubsidized employment.

Illustrative of this private sector leadership and effectiveness are two on-going programs. The first, a machinist program was established with the cooperation of the National Tooling and Precision Machinist Association, federal and local government agencies and private industry. Second, in conjunction with the Joint Apprenticeship Committee of Carpenters and Joiners, the PIC developed Federal and State approved pre-apprenticeship training.

Of those who graduated from both programs, 83% obtained occupationally related employment. Successful programs like these is the reason the Orange County PIC has been designated a "Spotlight Site." This is significant in that our selection was the only New York State Representative out of 476 Prime Sponsors nationwide.

In an attempt to remedy labor market problems, as well as stimulate employment growth, the Orange County PIC joined efforts with economic development concerns to provide an effective marketing strategy to attract new and expanding industries. This action will provide the necessary jobs to offset those industries which have left the area. Additionally, these industries represent new employment opportunities for those in need.

In order to accomplish these future employment and training policies, we must manage by objectives. In the past, local CETA Prime Sponsors have been Federally mandated to achieve numerous objectives that did not coincide with the immediate needs of the private sector. Prior to the enactment of Title VII's Private Sector Initiatives Program, CETA served as a panacea addressing the ever-pressing social, economic and political issues. Our experience has crystallized the present day objectives; reduce unemployment, reduce public assistance, increase productivity and aid economic development.

To meet these objectives, ETA programs must have the ability to serve all targeted groups through classroom and on-the-job training. Orange County's record indicates our recognition that training programs cannot merely provide for income distribution and supplemental income maintenance. Therefore, Orange County will continue to reduce public assistance expenditures and dependency, through Employment and Training opportunities.

Responsible management will be achieved by the distribution of necessary funds directly to the local Prime Sponsors.

The appropriate role of the Private Sector has been demonstrated by the Orange County Private Industry Council. Through the PIC, it becomes possible to coordinate the diversity of programs in a cost effective and efficient manner.

Having an appreciation and sensitivity for the need to reduce Federal spending, as well as maintain an understanding of less government intervention and increased local determination, we have learned the lessons that:

1. DOL funding formulas should adhere to the concept of true entitlement.
    - A. True need should reflect specific labor market characteristics and trends. These indicators include:
        - a. Frequency and duration of unemployment.
        - b. Designation of a surplus labor market
        - c. Employment growth rates
        - d. Layoffs and closings
        - e. Approved economic development programs scheduled for funding within the Prime Sponsor's jurisdiction.

This action will help counter the pattern of unexpended funds in certain Prime Sponsors and help put tax dollars where the most need is determined.

With the elimination of Public Sector employment, it becomes imperative that we serve all those at or below 100% of the Lower Living Standard.

In order to maximize the use of limited Federal funds, we must eliminate duplication and provide a comprehensive and coordinated program by utilizing a centralized delivery service mechanism.

Mr. Chairman, as I have indicated, Orange County is a fine example that CETA works.

STATISTICS ON ORANGE COUNTY, NEW YORK

1980-1981

ORANGE COUNTY EMPLOYMENT AND TRAINING ADMINISTRATION

ORANGE COUNTY, NEW YORK

OVERALL PROGRAM FY'81 - SIX MONTH PROGRAM

2,860	Served
1,304	Terminated
940	Positive Placement
1,305	Welfare Recipients Served at a reduction of 8.1 million welfare dollars
72%	Positive Placement Rate
@	Cost of $4,180 per placement

TOTAL FY'81 BUDGET $7,160,592

SIGNIFICANT SEGMENTS SERVED

FY'81

Total	2,860
Male	1,097
Female	1,763
19 & Under	1,277
20-21	271
22-44	1,142
45-54	122
55 & Over	48
White	1,487
Black	848
Hispanic	525

Source: Orange County FY'81 Program Status Summary 5/31/81

ORANGE COUNTY EMPLOYMENT AND TRAINING ADMINISTRATION

ORANGE COUNTY, NEW YORK

OVERALL PROGRAM FY'80 - FULL YEAR PROGRAM

3,405	Served
2,680	Terminated
1,955	Positive Placement
1,246	Welfare Recipients Served at a reduction of 7.7 million welfare dollars
73%	Positive Placement Rate
@	Cost of $3,719 per placement

TOTAL FY'80 BUDGET $10,929,578

SIGNIFICANT SEGMENTS SERVED

FY'80

Total	3,405
Male	1,724
Female	1,681
19 & Under	1,312
20-21	455
22-44	1,432
45-54	141
55 & Over	65
White	1,757
Black	1,274
Hispanic	374

Source: Orange County FY'80 Fourth Quarter Program Status Summary

(Note: Due to mechanical limitations and in the interest of economy, certain other material submitted for the record consisting of newspaper articles, pamphlets, and newsletter, was retained in the files of the committee.)

Senator QUAYLE. Next is the National Association of Counties; Paula MacIlwaine.

Ms. MacIlwaine, I want to comment on behalf of Senator Metzenbaum that he is sorry he could not be here personally to introduce you. He is back in the State today tending to duties, so he asked tc be excused, and also be acknowledged and remembered to you.

STATEMENT OF PAULA MacILWAINE, CHAIR, EMPLOYMENT STEERING COMMITTEE, NATIONAL ASSOCIATION OF COUNTIES, AND COUNTY COMMISSIONER, MONTGOMERY COUNTY, OHIO, ACCOMPANIED BY JON WEINTRAUB, ASSOCIATE DIRECTOR AND LEGISLATIVE COORDINATOR, NATIONAL ASSOCIATION OF COUNTIES

Ms. MACILWAINE. Thank you very much, Senator, and I appreciate your putting my entire text in the record and I will just highlight my statement.

Senator QUAYLE. Would you pull the microphone up closer?

Ms. MACILWAINE. OK.

Mr. Chairman and members of the subcommittee, my name is Paula MacIlwaine. I am a county commissioner for Montgomery County, Ohio, and I chair the Employment Steering Committee of the National Association of Counties. I am accompanied by Jon Weintraub, who is the associate director and legislative coordinator of NACo.

We wish to commend the distinguished chairman, Mr. Quayle, for his outstanding leadership in initiating these hearings in the 97th Congress, and we are encouraged that you have begun hearings on employment and training policy and look forward to working with you and members of this committee on the important issue of national policy.

We would also like to compliment Senator Quayle for his efforts on the youth and reconciliation bills.

The National Association of Counties believes that it is better for the Federal Government to subsidize work than to subsidize unemployment. While we support the provision of a basic level of income maintenance in programs such as unemployment insurance, food stamps, and aid to families with dependent children, we believe that it is crucial to review the Federal Government's emphasis on support for work versus maintenance payments; particularly in times and in areas of high unemployment, the provision of jobs or training rather than government checks to large numbers of unemployed workers simply makes sense.

The work incentive program consistently finds that there are more volunteers to participate in their job and training program for welfare recipients than their resources permit. Recent supported work demonstrations prove that welfare mothers are often willing to take a cut in income simply to achieve the dignity of work.

The job search assistance program operated as part of the welfare demonstration program, EOPP, has also proved effective. The National Association of Counties firmly supports the need to supply productive work opportunities to all of our citizens who are able and willing to work.

Frankly, we believe that the criticism of CETA is overblown. Complaints are indeed the strength of the most open and public human resource system that Congress has enacted. By definition, prime sponsors choose among worthy goals and groups. Unless funds are unlimited, there will be complaints as groups are asked to trim their budgets as hard choices are made.

When a group claims that a decision to cut their funds was political, a review should occur rather than assume from a press report that the program is fraught with abuse. Usually, one finds that the decision was based on a comparison of placement results or costs or management capacity.

I assure you that as an elected official at the local level, I am well aware of our constituents' displeasure when hard choices are made. Let us retain the sophistication to differentiate between allegations of abuse, whether made by a Federal auditor or a local constituent, and proven cases of abuse in reviewing both media and GAO reports.

Part of CETA's strength—that is, its flexibility—has resulted in some of the criticism. By virtue of the adaptability of the CETA law, new service groups become identified each year as they become fashionable. The Congress and the administration have asked the CETA in succession to target services to Vietnam veterans and displaced homemakers, while providing both apprentices and a trained work force for a national effort to weatherize the homes of the poor.

This has resulted in the criticism of CETA for a lack of a mission. We disagree and feel that this flexibility to respond to a wide variety of community concerns is what makes CETA so important to our and to your constituents.

In examining CETA, we see the complexity that has developed as a result of overzealous, well-meaning attempts to monitor and control the program by the Congress and the administration, as illustrated by the following.

The regulations accompanying the 1978 CETA Amendments cross-reference 75 other laws, executive orders and circulars. The Department of Labor has issued an average of over 400 field memoranda—more than one per day, including Sundays and holidays. The 1978 amendments add, modify or further interpret regulations or requirements.

To measure PSE phasedown during its reemployment effort, the Department of Labor is requiring 42 reports in a 170-day period, or an average of one report every 4 days.

The National Association of Counties is committed to the basic CETA delivery system. NACo recognizes and endorses the principles embodied in CETA prime sponsorship and the accountability of local officials, particularly county officials, in the planning, administration and supervision of comprehensive local systems of training and employment.

Where do we go from here regarding the successor to CETA's role in the Nation's employment and training policy? Although NACo will not have approved its policy until mid-July, we would propose the consolidation of all local program titles into one block grant.

In addition, we would support a national program title that would include programs for migrants and Indians, and discretionary and demonstration moneys for the Secretary of Labor.

We would propose that the block grant title be divided into two pots of money and that local prime sponsors would design the best mix of services using both pots of money from the block grant title necessary to meet the needs of eligible clients.

We would propose that eligible clients be defined as those with an income of 100 percent of the Bureau of Labor Statistics lower living standard income level, with a significant window of eligibility to serve other needy individuals.

To reiterate, we support retaining the local and State prime sponsor delivery system as defined in the CETA law. We do not need to create new widgets in the name of reform and waste the management and program expertise that has been developed since the inception of the program. Let us not create a new level of bureaucracy at the State level. We must maintain service delivery at the local level of government, closest to the people, counties and cities.

In conclusion, we want to reemphasize that the National Association of Counties continues to support a reformed employment and training system that is more beneficial to its clients, more rational to administer, and fairer to the taxpayers. We view this as a vital link to local economic development and are confident that this subcommittee will fashion a State and local block grant bill from the proposals and testimony that you have heard that can be enacted and will move us much closer to streamlining the employment and training system. We pledge our support and assistance in your efforts.

Senator QUAYLE. Well, thank you very much. I certainly appreciate having the encouragement and support of not only you personally, but also the National Association of Counties as we examine this particular system and try to make it, as you said, more workable, fairer to the taxpayers, and have a better delivery of services. This is a goal that we all certainly subscribe to.

Let me ask you one basic, fundamental question. What role should the federal government have in training and employment? Where do we draw the line?

What should the Federal Government's role be in the CETA program?

Ms. MACILWAINE. Well, in my opinion, I think you ought to design a basic block grant program, but it is virtually impossible for the Federal Government to design a program to meet the local needs of every community. Only we in Dayton, Ohio know what our local unemployment situation is; we know how many people we have on welfare, which at this point is 50,000 people. Only we know that we have four General Motors division plants that are controlling our economy and that there are certain types of training programs that we need to devise in order to meet the needs of those layoffs.

I think what we would like is just what this administration has been proposing, and that is block grants giving local control to the local elected officials, and hold them accountable for the CETA system, as we should be.

Senator **Quayle**. Do you think that the training programs run at the discretion of the local official should be flexible enough to retrain laid off auto workers, if you do not see the auto industry picking up? Should it be involved in training for skilled jobs and skilled workers, or should it be basically directed to structurally unemployed—the hard-core unemployed?

Business and industry is not that interested in it; they have to make a profit. They are interested in getting new, trained employees, and spend about $30 billion a year right now on training.

From your answer, I would gather that you would make this rather all-encompassing, at least in your particular area, or at least give it that flexibility. Is that correct?

Ms. **MacIlwaine**. Well, I think it has to have the flexibility because you cannot possibly know what will work in each community, as I said previously. But there has to be something set aside for communities that perhaps have a greater need for one versus the other.

In our particular area, I think we have a little of each, but I think that the retraining programs are probably more important to us. It should be a training program, but it has to be based on local concerns and not some edict from the Federal Government.

Senator **Quayle**. You think that there is a role, particularly for the Federal Government, in training skilled personnel rather than making that an industry concern.

In the 3 days of testimony, we have had a difference of opinion here. Some people have asked for an increase in skilled training. Others have expressed a training program from the Federal Government ought to be strictly geared to the structurally unemployed, period, and that ought to be the role of the Federal Government; the rest of it should be an industry problem, or an educational problem—vocational education and technical education. They feel that if there are skilled people out there, they can be more easily trained; but the Government should concentrate its efforts on those people who are very difficult to train and that the educational institutions or the private sector would not be interested in without such training.

That is the reason I am asking the question, because this is a rather——

Ms. **MacIlwaine**. It seems to me that it has to be a partnership of the private and public sectors. Certainly, the public sector and the Federal Government have to offer the initiatives to the private sector to do some of the things that they need to do.

I think a very active OJT program sponsored by the Federal Government and in cooperation with the private sector would certainly help the private sector to take the initiative and get involved, but still provide the incentive for them to do it.

We have found that it is very, very difficult, to our welfare demonstration projects, and take these people who have been on welfare for a number of years and try to get the private sector interested in taking them on as employees without some incentives—OJT money or work-supported programs, or whatever.

So, I think it has to be a partnership. I do not think, personally, that either one of us is better at doing one or the other. I think we have to do it together.

Senator **Quayle**. Go ahead.

Mr. **Weintraub**. I can add a comment on that. I think there are a couple of areas that the committee might look into, and that is the notion of high support, on-the-job training. Currently, on-the-job training is funded at 50 percent and is a horizontal funding for the term of the participant's participation.

What we would like to see, possibly, is 100 percent initial funding of on-the-job training, with a phasedown and built-in criteria and guaranteed commitments. Also, we would like to see a change in the use of allowance payments. Right now, allowance payments are mandatory to everyone, and we feel that that is not necessary. The money can be spread and used to serve more clients if there is flexibility in the allowance payment system, as originally intended, frankly, in the 1973 law.

Ms. **MacIlwaine**. I think getting the private sector more involved by eliminating the paperwork and regulations that have always been part of the CETA system probably would help; I think we mentioned that.

Senator **Quayle**. Do you see any duplication or overlap in Government services in three particular areas of employment services, vocational education and CETA?

Ms. **MacIlwaine**. Well, I think there is duplication. I think it should be a coordinated system, but, to me, each can have its own mission and they can still work together.

The CETA system, I think, should deal primarily with hardcore unemployed. The employment service should be dealing with job-ready types of people, and vocational education, of course, would provide the training. So, although it may sound like there is some duplication—and I am sure that in some instances, there is some duplication—I think the three can have separate missions and still work together.

Senator **Quayle**. In the spirit of block grants and trying to streamline and reform the Government particularly in the areas of employment services and CETA, do you see any way that we could maybe consolidate the two and have a combination? Voc-ed might be more difficult to consolidate.

You know, they have separate missions, but they are also very compatible, and if they are compatible, you may be able to not only do a service to the taxpayers, but you may have a more efficient system.

Ms. **MacIlwaine**. Well, I am not sure I can answer that, except for one point that our employment service in the State of Ohio is not really responsible to anybody, and I think that any system devised should have some accountability to some elected official; there has to be accountability.

No one is clear on whether the employment service is a State operation or a Federal operation, and it depends on what issue it is as to where they say they are. So, I am not too fond of that group and working together, unless they are accountable to us or to somebody in the State.

Maybe Jon would like to add to that.

Mr. **Weintraub**. Just one comment on that. I think the whole coordination of the three systems would be significantly improved if it is mandated that there is bottoms-up planning; and, two, that the planning is done in the same timetable.

Some systems are on different fiscal years so that you can begin one system in October, another system in January, and another system in July because of our inherited differences in fiscal years.

I think another thing is to mandate or strongly recommend to provide incentives—colocation, or at least location of an office from each one in the same community. Right now, you may have a voc ed training center here [indicating] and a CETA prime sponsor here [indicating], and you have tremendous transportation problems, particularly in rural areas.

Senator **Quayle**. This is an idea that has come up during these hearings, and if you have any further thought on it from a local level or from a national level—you might want to consider it as a discussion point at one of your meetings.

Ms. **MacIlwaine**. We have an upcoming meeting in July.

Senator **Quayle**. I certainly would appreciate it if you would bring it up and at least discuss it. I think what we would like to see is consolidation and conformity.

Over the past three decades whenever someone came up with an idea, a separate Government agency was created to run it. Now, I think it is the time to reflect and see what we really have and take a look at the similarities.

If there is any kind of consolidation that will ultimately achieve better delivery of services more efficiency, I would certainly welcome it. If you would bring that up, it would be doing me a personal favor. It is something that has come up in these hearings and has struck me as something we want to explore further.

I certainly thank you for your testimony, and thank you for your help and cooperation. I am looking forward to working with you.

Ms. **MacIlwaine**. Thank you. I would like to just mention one thing. I have attached here a report on our employment opportunities pilot project and I would very much like you to read it.

Senator **Quayle**. We will put that in the record.

Ms. **MacIlwaine**. Good.

Senator **Quayle**. It will be a part of the record.

Ms. **MacIlwaine**. It tells how we took welfare recipients off the roles and got them into jobs, and it is very interesting. We had great success.

Senator **Quayle**. That is what we want to do.

Ms. **MacIlwaine**. Good.

Senator **Quayle**. I commend you for that.

Ms. **MacIlwaine**. Thank you very much.

Senator **Quayle**. Thank you.

[The prepared statement of Ms. MacIlwaine with the attachment referred to follows:]

STATEMENT OF PAULA MACILWAINE, COMMISSIONER, MONTGOMERY COUNTY, OHIO, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES* BEFORE THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY OF THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES.

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, MY NAME IS PAULA MACILWAINE, COUNTY COMMISSIONER OF MONTGOMERY COUNTY, OHIO. I CHAIR THE EMPLOYMENT STEERING COMMITTEE OF THE NATIONAL ASSOCIATION OF COUNTIES. I AM ACCOMPANIED BY JON WEINTRAUB, ASSOCIATE DIRECTOR AND LEGISLATIVE COORDINATOR OF THE NATIONAL ASSOCIATION OF COUNTIES.

WE WISH TO COMMEND THE DISTINGUISHED CHAIRMAN, MR. QUAYLE, FOR HIS OUTSTANDING LEADERSHIP IN INITIATING THESE HEARINGS IN THE 97TH CONGRESS. WE ARE GREATLY ENCOURAGED THAT YOU HAVE BEGUN HEARINGS ON EMPLOYMENT AND TRAINING POLICY. WE LOOK FORWARD TO WORKING WITH YOU AND MEMBERS OF THIS SUBCOMMITTEE ON THIS IMPORTANT ISSUE OF NATIONAL POLICY.

THE NATIONAL ASSOCIATION OF COUNTIES FEELS THAT THE MAJOR PURPOSE OF NATIONAL EMPLOYMENT AND TRAINING POLICY IS TO MAXIMIZE THE EMPLOYABILITY OF THE NATION'S WORK FORCE. THUS, BY INCREASING PRODUCTIVITY OF THE WORK FORCE WE ARE PLACING MORE PEOPLE IN BETTER JOBS AND REDUCING THEIR WELFARE DEPENDENCY. BY TARGETING PROGRAM ELIGIBILITY, CURRENT NATIONAL EMPLOYMENT AND TRAINING POLICY HAS SUCCESSFULLY REVERSED A TWENTY YEAR DECLINE IN BLACK YOUTH LABOR FORCE PARTICIPATION. IMPACT ON THE NATIONAL UNEMPLOYMENT RATE HAS BEEN SOMEWHAT LESS DRAMATIC WITH EXPERTS SUGGESTING THAT THE NATIONAL UNEMPLOYMENT RATE HAS BEEN DECREASED BY LESS THAN ONE PERCENT.

THE NATIONAL ASSOCIATION OF COUNTIES BELIEVES THAT IT IS BETTER FOR THE FEDERAL GOVERNMENT TO SUBSIDIZE WORK THAN TO SUBSIDIZE UNEMPLOYMENT. WHILE WE SUPPORT THE PROVISION OF A BASIC LEVEL OF INCOME MAINTENANCE IN PROGRAMS SUCH AS UNEMPLOYMENT INSURANCE, FOOD STAMPS, AID TO FAMILIES WITH DEPENDENT CHILDREN, ETC., WE BELIEVE THAT IT IS CRUCIAL TO REVIEW THE FEDERAL GOVERNMENT'S EMPHASIS ON SUPPORT FOR WORK VERSUS

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*THE NATIONAL ASSOCIATION OF COUNTIES IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN THE UNITED STATES. THROUGH ITS MEMBERSHIP, URBAN, SUBURBAN AND RURAL COUNTIES JOIN TOGETHER TO BUILD EFFECTIVE, RESPONSIVE COUNTY GOVERNMENT. THE GOALS OF THE ORGANIZATION ARE: TO IMPROVE COUNTY GOVERNMENTS; TO SERVE AS THE NATIONAL SPOKEMAN FOR COUNTY GOVERNMENTS; AND, TO ACHIEVE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

MAINTENANCE PAYMENTS. PARTICULARLY IN TIMES AND IN AREAS OF HIGH UNEMPLOYMENT, THE PROVISION OF JOBS OR TRAINING RATHER THAN GOVERNMENT CHECKS TO LARGE NUMBERS OF UNEMPLOYED WORKERS SIMPLY MAKES SENSE. THE WORK INCENTIVE PROGRAM (WIN) CONSISTENTLY FINDS THAT THERE ARE MORE VOLUNTEERS TO PARTICIPATE IN THEIR JOB AND TRAINING PROGRAM FOR WELFARE RECIPIENTS THAN THEIR RESOURCES PERMIT. RECENT SUPPORTED WORK DEMONSTRATIONS PROVE THAT WELFARE MOTHERS ARE OFTEN WILLING TO TAKE A CUT IN INCOME SIMPLY TO ACHIEVE THE DIGNITY OF WORK. THE JOB SEARCH ASSISTANCE PROGRAM OPERATED AS PART OF THE WELFARE DEMONSTRATION PROGRAM (EOPP) HAS ALSO PROVED EFFECTIVE. THE NATIONAL ASSOCIATION OF COUNTIES FIRMLY SUPPORTS THE NEED TO SUPPLY PRODUCTIVE WORK OPPORTUNITIES TO ALL OF OUR CITIZENS WHO ARE ABLE AND WILLING TO WORK.

THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT HAS BEEN A VITAL PART OF OUR NATIONAL POLICY. DESPITE ITS MALIGNED HISTORY, THOSE OF US WHO ARE WILLING TO EXAMINE ITS STATISTICS SEE IMPRESSIVE RESULTS PARTICULARLY WHEN YOU REALIZE WHO THE CLIENTS ARE AND THE FACT THAT THE CETA SYSTEM OFTEN HAS TO REBUILD THE SKILLS OF INDIVIDUALS WHOM OUR NATION'S PUBLIC EDUCATION SYSTEM HAS FAILED. A REVIEW OF DOL DATA OVER SIX YEARS, FISCAL YEAR 1975 THROUGH FISCAL YEAR 1980, SHOWS THAT SEVENTY-ONE PERCENT (71%) OF THE PARTICIPANTS WHO TERMINATED FROM THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA) BETWEEN 1975 AND 1980 WERE SUCCESSFUL IN OBTAINING EITHER AN UNSUBSIDIZED JOB OR ADDITIONAL JOB TRAINING OPPORTUNITIES. DESPITE THE ECONOMIC RECESSION AND FREQUENT CHANGES IN LAW AND REGULATIONS, OVER HALF OF ALL TERMINATING PARTICIPANTS FOR EACH FISCAL YEAR WERE POSITIVE TERMINATIONS. TRANSLATED TO RAW NUMBERS, 12,998,557 PEOPLE LEFT CETA BETWEEN FISCAL YEARS 1975 AND 1980. THAT NUMBER INCLUDES BOTH YOUTH AND ADULTS WHO PARTICIPATED IN A JOB OR TRAINING PROGRAM. OF ALL THOSE WHO TERMINATED THE PROGRAM, 3,467,694 (27%) GOT UNSUBSIDIZED JOBS AND 5,796,582 (44%) EITHER JOINED THE MILITARY OR WENT BACK TO SCHOOL. OVERALL, 9,264,289 (71%) PARTICIPANTS LEFT THE CETA PROGRAM AS POSITIVE PLACEMENTS. IN LAYMEN'S TERMS THIS MEANS THAT SEVEN OUT OF EVERY TEN PARTICIPANTS TERMINATED FROM THE PROGRAM SUCCESSFULLY. IT SHOULD BE EMPHASIZED THAT THIS DATA MIXES SERVICES TO ADULTS AND YOUTH; EFFORTS WITH DIFFERING GOALS. THIS FINDING CONTRADICTS THE NEGATIVE IMAGE PROJECTED BY THE NEWS MEDIA OVER THE PAST SEVERAL YEARS. DURING THIS PERIOD, THE CETA PROGRAM WAS PROJECTED AS A WASTEFUL PROGRAM

INFESTED WITH FRAUD AND ABUSE.

FRANKLY, WE BELIEVE THAT THE CRITICISM OF CETA IS OVERBLOWN. COMPLAINTS ARE INDEED THE STRENGTH OF THE MOST OPEN AND PUBLIC HUMAN RESOURCE SYSTEM THAT CONGRESS HAS ENACTED. BY DEFINITION, PRIME SPONSORS CHOOSE AMONG WORTHY GOALS AND GROUPS. UNLESS FUNDS ARE UNLIMITED, THERE WILL BE COMPLAINTS AS GROUPS ARE ASKED TO TRIM THEIR BUDGETS, AS HARD CHOICES ARE MADE. WHEN A GROUP CLAIMS THAT A DECISION TO CUT THEIR FUNDS WAS "POLITICAL," A REVIEW SHOULD OCCUR RATHER THAN ASSUME FROM A PRESS REPORT THAT THE PROGRAM IS FRAUGHT WITH ABUSE. USUALLY ONE FINDS THAT THE DECISION WAS BASED ON A COMPARISON OF PLACEMENT RESULTS OR COSTS OR MANAGEMENT CAPACITY. I ASSURE YOU, AS AN ELECTED OFFICIAL AT THE LOCAL LEVEL, I AM WELL AWARE OF OUR CONSTITUENTS' DISPLEASURE WHEN HARD CHOICES ARE MADE. LET US RETAIN THE SOPHISTICATION TO DIFFERENTIATE BETWEEN ALLEGATIONS OF ABUSE, WHETHER MADE BY A FEDERAL AUDITOR OR LOCAL CONSTITUENT, AND PROVEN CASES OF ABUSE IN REVIEWING BOTH MEDIA AND GAO REPORTS.

PART OF CETA'S STRENGTH, THAT IS, ITS FLEXIBILITY, HAS ALSO RESULTED IN SOME OF THE CRITICISM. BY VIRTUE OF THE ADAPTABILITY OF THE CETA LAW, NEW SERVICE GROUPS BECOME IDENTIFIED EACH YEAR AS THEY BECOME FASHIONABLE. THE CONGRESS AND THE ADMINISTRATION HAVE ASKED THE CETA SYSTEM IN SUCCESSION TO TARGET SERVICES TO VIETNAM VETERANS AND DISPLACED HOMEMAKERS WHILE PROVIDING BOTH APPRENTICES AND A TRAINED WORKFORCE FOR A NATIONAL EFFORT TO WEATHERIZE THE HOMES OF THE POOR. THIS HAS RESULTED IN CRITICIZM OF CETA FOR LACK OF A MISSION. WE DISAGREE, WE FEEL THAT THIS FLEXIBILITY TO RESPOND TO A WIDE VARIETY OF COMMUNITY CONCERNS IS WHAT MAKES CETA SO IMPORTANT TO OUR AND YOUR CONSTITUENTS.

IN EXAMINING CETA WE ALSO SEE THE COMPLEXITY THAT HAS DEVELOPED AS A RESULT OF OFTEN OVER-ZEALOUS, WELL-MEANING ATTEMPTS TO MONITOR AND CONTROL THE PROGRAM BY THE CONGRESS AND THE ADMINISTRATION. WE OFFER THESE ILLUSTRATIONS:

1) THE REGULATIONS ACCOMPANING THE 1978 CETA AMENDMENTS CROSS REFERENCE 75 OTHER LAWS, REGULATIONS, EXECUTIVE ORDERS, OMB CIRCULARS, ETC.,
2) THE DEPARTMENT OF LABOR HAS ISSUED AN AVERAGE OF OVER 400 FIELD MEMORANDA (MORE THAN ONE PER DAY INCLUDING SUNDAYS AND HOLIDAYS) IN EACH OF THE TWO FISCAL YEARS SINCE THE 1978 AMENDMENTS WHICH ADD, MODIFY OR FURTHER INTERPRET REGULATIONS OR REQUIREMENTS AFFECTING ADMINISTRATION OF THE CETA PROGRAM. WE FEEL THAT THIS VIOLATES THE

SPIRIT, IF NOT THE INTENT, OF SECTION 104(E)(1)&(2) OF P.L.95-524. (THESE SECTIONS REQUIRE THE SECRETARY TO PUBLISH "ALL APPLICABLE REGULATIONS" BY MAY 15 AND PROHIBIT THE SECRETARY FROM CHANGING OR REINTERPRETING REGULATIONS OR GUIDELINES AFFECTING THE APPROVAL OR DISAPPROVAL OF THE PRIME SPONSOR'S PLAN BETWEEN MAY 15 AND ITS DATE OF SUBMITTAL.)

3) TO MEASURE PSE PHASE DOWN DURING ITS RE-EMPLOYMENT EFFORT, THE DEPARTMENT OF LABOR IS REQUIRING 42 REPORTS IN A 170-DAY PERIOD, OR AN AVERAGE OF ONE REPORT EVERY FOUR DAYS.

4) PRIME SPONSORS ARE REQUIRED TO RUN "ERROR-FREE" PROGRAMS. WHILE WE SUPPORT THIS AS A LAUDATORY GOAL, WE WISH TO NOTE THAT IF A WELFARE PROGRAM WERE RUN AT THE SAME LOW ERROR RATE AS THE CETA PROGRAM THAT SAME WELFARE DIRECTOR WOULD BE VIEWED AS A MANAGEMENT GENIUS. CETA HAS BEEN SUBJECTED TO A HIGHER LEVEL OF PUBLIC SCRUTINY THAN ANY OTHER HUMAN RESOURCE PROGRAM.

THE FACT THAT THE CETA SYSTEM KEEPS ITS COMPETENT PROFESSIONAL MANAGERS IS CERTAINLY A COMPLEMENT TO THEIR FORTITUDE AND COMMITMENT UNDER THIS BARRAGE. WE WOULD HOPE THAT AS THIS SUBCOMMITTEE DEVELOPS ITS SUCCESSOR TO CETA THAT ATTENTION IS GIVEN TO THESE AND OTHER MANAGEMENT ISSUES.

THE NATIONAL ASSOCIATION OF COUNTIES IS COMMITTED TO THE BASIC CETA DELIVERY SYSTEM. NACo RECOGNIZES AND ENDORSES THE PRINCIPLES EMBODIED IN CETA OF PRIME SPONSORSHIP AND THE ACCOUNTABILITY OF LOCAL ELECTED OFFICIALS, PARTICULARLY COUNTY OFFICIALS, IN THE PLANNING, ADMINISTRATION AND SUPERVISION OF COMPREHENSIVE LOCAL SYSTEMS OF TRAINING AND EMPLOYMENT, WITH A MINIMUM OF FEDERAL REGULATIONS.

THE BASIC PRINCIPLE BEHIND PRIME SPONSORSHIP IS THE ACCOUNTABILITY OF THE LOCAL ELECTED OFFICIAL. NACo SUPPORTS THE CETA PROVISIONS THAT EXTEND PRIME SPONSORSHIP TO UNITS OF GENERAL PURPOSE GOVERNMENT WITH 100,000 POPULATION AND THAT PROVIDE INCENTIVE PAYMENTS TO UNITS OF GOVERNMENT THAT COMBINE TO PLAN AND OPERATE EMPLOYMENT PROGRAMS UNDER CONSORTIUM AGREEMENTS. WHILE LABOR MARKET AREA CONSORTIA ARE VERY DESIRABLE AND A SUITABLE SUBJECT OF FEDERAL INCENTIVES, CONSORTIUM ARRANGEMENTS SHOULD BE ENCOURAGED BUT NEVER MANDATED.

WHILE SOME ARBITRARY CUT-OFF POPULATION IS NECESSARY TO LIMIT THE NUMBER OF PRIME SPONSORS, SMALLER COUNTIES ARE NO LESS "ACCOUNTABLE" UNITS OF GOVERNMENT TO THEIR RESIDENTS. THEREFORE, NACo URGES GOVERNORS SYSTEMATICALLY TO INVOLVE SUCH COUNTIES IN PLANNING AND OPERATING EMPLOYMENT PROGRAMS FOR THE BALANCE OF THE STATE. REGARDLESS OF POPULATION, COUNTIES OR CONSORTIA OF COUNTIES WITH EXCEPTIONAL NEED, PARTICULARLY IN RURAL AREAS OF HIGH UNEMPLOYMENT AND SUBSTANTIAL OUTMIGRATION, SHOULD BE ELIGIBLE FOR PRIME SPONSORSHIP UNDER EXCEPTIONAL CIRCUMSTANCES AS THEY ARE NOW.

UNDER CETA ALL LEVELS OF GOVERNMENT ARE TO BE INVOLVED IN PROGRAM EVALUATION. NACo FEELS THAT IT IS IMPORTANT THAT A PRIME SPONSOR'S COMPREHENSIVE EMPLOYMENT AND TRAINING PROGRAM BE EVALUATED IN TERMS OF ACTUAL PROGRAM PERFORMANCE RELATIVE TO STATED PRIME SPONSOR PROGRAM OBJECTIVES. MOREOVER, CRITERIA FOR PROGRAM EVALUATION SHOULD BE ESTABLISHED IN TERMS OF SPECIFIC ACTIVITY AND SERVICE OBJECTIVES OF EACH PRIME SPONSOR. NATIONALLY DETERMINED PROGRAM OBJECTIVES AND EVALUATION CRITERIA BEYOND THOSE CLEARLY ENUNCIATED BY LAW SHOULD NOT BE DEVELOPED OR APPLIED INDISCRIMINATELY WITHOUT ADHERENCE TO LOCAL PRIME SPONSORS PROGRAMS.

WHERE DO WE GO FROM HERE REGARDING THE SUCCESSOR TO CETA'S ROLE IN THE NATION'S EMPLOYMENT AND TRAINING POLICY? ALTHOUGH NACo WILL NOT HAVE APPROVED ITS POLICY UNTIL MID-JULY, OUR EMPLOYMENT STEERING COMMITTEE HAS BEEN WORKING VERY CLOSELY WITH THE NATIONAL ASSOCIATION OF COUNTY EMPLOYMENT AND TRAINING ADMINISTRATORS (NACETA), A PROFESSIONAL AFFILIATE OF NACo'S COMPOSED OF CETA DIRECTORS, TO DEVELOP IDEAS FOR THE FUTURE. WE WOULD LIKE TO SHARE THESE IDEAS WITH YOU. WE WOULD PROPOSE A CONSOLIDATION OF ALL OF THE LOCAL PROGRAM TITLES INTO ONE BLOC GRANT TITLE. IN ADDITION, WE WOULD SUPPORT A NATIONAL PROGRAM TITLE THAT WOULD INCLUDE PROGRAMS FOR MIGRANTS AND INDIANS AND DISCRETIONARY AND DEMONSTATION PROGRAM MONIES FOR THE SECRETARY OF LABOR. WE WOULD PROPOSE THAT THE "BLOC GRANT" TITLE BE DIVIDED INTO TWO POTS OF MONEY WITH THE MAJORITY OF THE FUNDS GOING TO ALL PRIME SPONSORS AND THE SECOND POT OF FUNDS GOING ONLY TO PRIME SPONSORS AND AREAS WITHIN BALANCE OF STATE WITH A LOCAL UNEMPLOYMENT RATE OVER A LEVEL DETERMINED BY THE CONGRESS. LOCAL PRIME SPONSORS WOULD THEN DESIGN THE BEST MIX OF SERVICES USING BOTH POTS OF MONIES

FROM THE BLOC GRANT TITLE NECESSARY TO MEET NEEDS OF ELIGIBLE CLIENTS. WE WOULD PROPOSE THAT ELIGIBLE CLIENTS BE DEFINED AS THOSE WITH AN INCOME OF 100% OF THE BUREAU OF LABOR STATISTICS (BLS) LOWER LIVING STANDARD INCOME LEVEL WITH A SIGNIFICANT "WINDOW" OF ELIGIBILITY TO SERVE OTHER NEEDY INDIVIDUALS WHO DON'T MEET THE EXACT INCOME CRITERION. WE WOULD PROPOSE FLEXIBILITY IN THE USE OF ALLOWANCE PAYMENTS AND RECOMMEND A SHIFT TO A HIGH-SUPPORT ON-THE-JOB TRAINING (OJT) SYSTEM IN BOTH THE PRIVATE AND PUBLIC SECTOR. WE WOULD SEE OJT SUPPORTED AT 100% INITIALLY WITH AN APPROPRIATE PHASE DOWN OF SUPPORT OVER TIME, WITH A VARIETY OF APPROPRIATE SAFEGUARDS. THE BLOC GRANT TITLE WOULD REQUIRE ONLY ONE ADVISORY COUNCIL, WHICH WOULD HAVE 51% OF ITS MEMBERSHIP FROM THE PRIVATE SECTOR. THIS WOULD REVERSE THE WASTE OF LIMITED FUNDS CURRENTLY SPENT TO STAFF THREE ADVISORY COUNCILS, OFTEN WITH SIMILAR MEMBERSHIPS.

TO REITERATE, WE SUPPORT RETAINING THE EXISTING LOCAL AND STATE PRIME SPONSOR DELIVERY SYSTEM AS DEFINED IN SECTION 101 OF THE CETA LAW (P.L.95-524). WE DO NOT NEED TO CREATE NEW "WIDGETS" IN THE NAME OF REFORM AND WASTE THE MANAGEMENT AND PROGRAM EXPERTISE THAT HAS BEEN DEVELOPED SINCE THE INCEPTION OF THE PROGRAM. LET US NOT CREATE A NEW LEVEL OF BUREAUCRACY AT THE STATE LEVEL. WE MUST MAINTAIN SERVICE DELIVERY AT THE LEVEL OF GOVERNMENT CLOSEST TO THE PEOPLE, COUNTIES AND CITIES.

IN CONCLUSION, WE WANT TO RE-EMPHASIZE THAT THE NATIONAL ASSOCIATION OF COUNTIES CONTINUES TO SUPPORT A REFORMED EMPLOYMENT AND TRAINING SYSTEM THAT IS MORE BENEFICIAL TO ITS CLIENTS, MORE RATIONAL TO ADMINISTER, AND FAIRER TO TAXPAYERS. WE VIEW THIS AS A VITAL LINK TO LOCAL ECONOMIC DEVELOPMENT. WE ARE CONFIDENT THAT THIS SUBCOMMITTEE WILL FASHION A STATE AND LOCAL BLOC GRANT BILL FROM THE PROPOSALS AND TESTIMONY THAT YOU HAVE HEARD THAT CAN BE ENACTED AND THAT WILL MOVE US MUCH CLOSER TO STREAMLINING THE EMPLOYMENT AND TRAINING SYSTEM. WE PLEDGE NACo'S SUPPORT AND ASSISTANCE IN YOUR EFFORTS.

ATTACHMENT

REPORT ON THE
EMPLOYMENT OPPORTUNITIES PILOT PROJECT
IN
MONTGOMERY COUNTY, OHIO

The Employment Opportunities Pilot Project (EOPP) is an integral part of the national emphasis on welfare reform. Montgomery-Preble Employment and Training Consortium is the operator of one of sixteen EOPP sites chosen by the Department of Labor to test the effectiveness of equipping welfare recipients with job search skills.

The purpose of the EOPP project is to enhance the economic self-sufficiency of persons and their families who are receiving job assistance. This is accomplished by providing heads-of-households with eight weeks of job search assistance (JSA) training that enables him/her to actually seek and obtain unsubsidized employment with public and private sector employers. Those persons with employment barriers that cannot be overcome with JSA training are transitioned into federally assisted work and training opportunities. These work and training opportunities are made available to clients based upon their relative employability and the plan generated while they were in the job search program. This plan outlines the steps necessary for the person to overcome his/her employment barriers and subsequently obtain unsubsidized employment. Work and training opportunity wages and stipends replace welfare benefits and to some extent the training meets the vocational skill needs of the client. This leads the person from welfare to employment. The participant, upon becoming a self-sustaining contributor to society, benefits himself/herself, his/her family, as well as the local community.

The EOPP program is predicated on the philosophical truism that people like themselves better, therefore, act in more positive ways that benefit first their immediate family, then their neighborhoods, and ultimately, the whole of the society as they have jobs. JSA offers aid to those persons who for a variety of reasons have not found employment on their own.

This is a 60-day program with instructors teaching how to write resumes, fill in job applications, and arrange for interviews with prospective employers. The support offered to people who generally have a history of failing in school and the work world is not easily measured. The ADC mother who reported how thrilled and proud her children were when she brought home her first paycheck is a much more effective testimony than we can offer with mere numbers. Other services that are provided include physical child care, transportation when necessary, and remedial education.

Every encouragement is given to participants to re-evaluate their skills in order to present themselves in the most positive light possible when searching for unsubsidized jobs. Those who do not appear for class and do not call in to be excused are terminated from the welfare rolls.

As of June 1, the Montgomery County EOPP program has enrolled 3,527 persons. Approximately 23% of these persons are removed from the welfare rolls because they fail to come to class. It is believed that most of these recipients had jobs and were not able to attend the classes five days per week. Of the 2,523 who began class, over 45% either reported finding unsubsidized jobs or found other work as they dropped and were terminated from welfare rolls.

It is estimated that the savings in welfare costs is roughly eight times higher in the administrative cost of operating the program, or in other words, we are saving eight dollars in welfare costs for each one dollar we invest in the job search program. Both the Senate Budget Committee and the House Budget Committee have recognized the value of a JSA program in dealing with the nation's welfare reform effort. Both committee reports recommend funding for the job search program in FY 1982. In order to affect whatever future program is created, whether it be workfare or some other employment-related program, we cannot afford to ignore the positive impact this program has had on the employability of welfare recipients.

Senator **Quayle**. The Council of Chief State School Officers: Superintendent of public instruction for the State of Iowa, Robert Benton; and William Keene, superintendent of public instruction, State of Delaware.

Which one is which?

Dr. **Benton**. I beg your pardon?

Senator **Quayle**. You are——

Dr. **Benton**. I am Dr. Benton from Iowa.

Mr. **Keene**. I am Mr. Keene from Delaware.

Senator **Quayle**. Good. Mr. Benton, do you want to go ahead and lead off?

STATEMENT OF DR. ROBERT D. BENTON, SUPERINTENDENT OF PUBLIC INSTRUCTION, STATE OF IOWA, AND PRESIDENT, COUNCIL OF CHIEF STATE SCHOOL OFFICERS; AND WILLIAM B. KEENE, SUPERINTENDENT OF PUBLIC INSTRUCTION, STATE OF DELAWARE, AND VICE CHAIRMAN, COMMITTEE ON EMPLOYMENT AND EDUCATION, COUNCIL OF CHIEF STATE SCHOOL OFFICERS, A PANEL

Dr. **Benton**. I am Robert Benton, State superintendent of public instruction from the State of Iowa, and also the president of the Council of Chief State School Officers.

The council, as you perhaps know, is an independent organization which is made of the commissioners or superintendents of education from the 50 States and the 6 extra State jurisdictions.

We are very happy to have an opportunity to be here today to present some thoughts and ideas. I would want to emphasize that these are not necessarily ideas that are cast in concrete. The council is in the process right now, through an ad hoc committee arrangement, of developing a rather comprehensive and detailed statement on the whole issue of youth employment and vocational education.

So, we are here today to give you some preliminary thoughts and ideas on just where we ought to be, and later on this fall, it is my understanding you will be continuing these hearings. So, at that time, we will want to have an opportunity to present a more definitive statement to you concerning those particular issues.

But, today, I am going to limit my comments basically to the general areas of concern, and then Mr. Keene, I think, will be talking to you about a specific program that he has going in Delaware dealing with the area of youth employment.

I would also want to point out that, really, our discussion this morning is going to be limited more to the general area of youth employment rather than the broad area of CETA and the whole issue of adult employment training and things of that nature. I think the nature of our organization and the responsibilities that we have for the (k)(12) and, in some cases, the 2-year community colleges would indicate that that is where our main interest and concern is.

In the testimony that we have presented to you—and I will not go over it—we have given you a few statistics that we think outline very definitely the concerns and some of the areas of concern in this whole area of youth employment.

For example, I think we point out to you that the cost of educating a young person in the first 12 years of school is around $30,000. Generally speaking, an individual who graduates and gets into the job market probably repays that in taxes the first 10 or 12 years of his employment.

Contrast that, of course, with the concept of kids and people who have not been able to either master the educational system or employment training, or whatever it is; they are pushed out into society, and I think it is safe to say that, probably, if they do not become an active member of the work force, it could be $240,000 in costs in welfare and lost taxes and criminal behavior, and a whole series of other things.

So, I guess the point we would want to make is that we think the whole issue of education, and that issue of education tied to the whole area of employment training, can be a very productive circumstance in the whole area of society.

Again, we have given you some statistics and, again, I will not go over them in detail, but there are some statistics as it relates to what are going to be some of the job requirements in the future.

For example, I think we point out that because of declining birth rates and a few things like this, actually, the youth part of the population is declining, and yet there are going to be increased employment circumstances. So, one of the jobs I think that we all face is matching the work force that is coming up through the educational system with those particular job circumstances.

Very briefly, then, I want to bring to your attention about 14 areas of concern that we would suggest to you and the committee as you start your work in this particular area. They are tied specifically to the issue of youth employment, but I do want to just very briefly bring to your attention these 14 areas of concern that we think the committee ought to be concerned about and consider in the weeks and months to come as you move into this particular area.

For example, we think that you need to give considerable consideration to the issue of economic development and the job creation circumstance, and we put that into the context of a number of things along those lines.

Second, we think that there needs to be increased coordination and linkage of education, employment, and training circumstances.

Third, we believe there needs to be some emphasis on basic and employability skills development, and coordinating those circumstances.

Next, we believe that there needs to be continued emphasis—in fact, increased emphasis—on the issue of occupational skills development.

Five, we have been committed for a long time to the concept of an employability development plan for each person. We think that that allows the educational system and the employment training program to respond to the individualization of needs.

Six, we think that there is a whole issue concerning the developmental services sequence concept that needs to be considered.

From the seventh point of view, we think there should be considerable emphasis on the age group and things of that nature.

There are four or five others that we have listed in our testimony to you this morning that we think are extremely important.

Senator QUAYLE. Mr. Benton, that statement in its entirety will be part of the record.

Dr. BENTON. Right.

[The prepared statement of Dr. Benton follows:]

STATEMENT OF DR. ROBERT D. BENTON

Mr. Chairman and members of the Subcommittee: I am Robert D. Benton, Superintendent of Public Instruction from the State of Iowa and President of the Council of Chief State School Officers.

The Council is an independent organization of commissioners and superintendents of education in the fifty states and six extra-territorial jurisdictions. Members of the Council are the chief administrative officers responsible for public education in each state.

My appearance before the Subcommittee today is principally as chief state school officer for the State of Iowa. However, I am also here in my capacity as President of the Council. I make the disctinction because the Council as an organization is in the midst of developing a comprehensive policy statement on employment and education, but has not yet completed debate. The Council has long had an interest in combatting youth unemployment, and in November, 1979, adopted a position of broad support for federal efforts to combat youth unemployment through education programs. Since that time, the Council has developed a specific policy statement regarding reauthorization of the Vocational Education Act, and recently began development of a policy statement covering the whole range of employment programs.

Also appearing before the Subcommittee today is Dr. William Keene, Delaware Superintendent of Public Instruction and vice-chair of CCSSO's committee on employment and education. This committee, which is charged with developing the Council's broad statement, expects to complete work on our position within the next few months, and we look forward to sharing the results with you at your fall hearings.

Before identifying specific issues, let me share with you a few salient facts regarding the conditions we face nationally in dealing with youth unemployment. Costs for twelve years of public education are running somewhere in the neighborhood of $30,000. An employed high school graduate will repay that sum in the form of taxes in the first 10-12 years after graduation. By contrast, a person who drops out or is "pushed out" of school may cost society over $240,000 in welfare, lost taxes, criminal behavior, etc. in the same 10-12 year period.

It is somewhat difficult to measure the real magnitude of the youth unemployment problem. Nevertheless, there is general agreement that jobless rates for minority youth, youth from depressed urban areas, and rural youth (as we in Iowa well know!) are extremely high. About one-half million youth 16 to 24 years of age are unemployed or "idle", meaning not working and not in school. This represents about 15.2% of that age group. One of our national stigmas is that the rate for minority youth commonly runs about twice that of the general population.

Solving the problem of youth unemployment must be shared by both the individual and by society. Unemployed and idle youth do not contribute to the economic and social welfare of the nation, and they become a drain on federal, state and local resources. They do not contribute to the reindustrialization of America, they do not help to alleviate urban blight, and they do not help resolve the trained personnel requirements necessary for this nation to have a strong defense posture. But most importantly, they do not--indeed, cannot--have a positive self-concept or sense of commitment to the goals and objectives of this nation.

In order to more clearly understand our current situation, perhaps it might be helpful to look a little into the future.

By the year 1992, there will be approximately 25% fewer young people between the ages of 16 to 24 years. At the same time, the economy will require about 30% more adequately prepared people in the work force than are presently available. By 1992, one-third of the work force will be made up of minorities. We will all be dependent on their work. For example, since the social security system will be supported by three workers for each beneficiary in the year 2000, the contribution of minorities will be essential. We can no longer afford, therefore, to allow the nation's minority populations and the educationally disadvantaged to remain undereducated, untrained, unskilled, and without necessary supportive services. We must plan now for the youth of our nation who will be the employment pool and provide for our national defense for the 21st century and beyond. Finally, over the next decade the number of jobs will increase by about 1.7% annually, while the employment pool will only increase by about 1.4% annually, leaving a deficit of about 300,000 unfilled jobs. Two ways to fill this deficit are to increase the productivity of all employed workers, and to increase the number of employable persons.

Preservation of our society and our way of life depends in large measure on our schools. There is a need to re-awaken our business and industrial community, and our citizenry to the importance of education and its impact on our future. Our public schools will remain, for the foreseeable future, the largest contributor to preparing our nation's youth for economic productivity and to be socially useful citizens.

One point seems abundantly clear: Congress must begin to establish a national policy that takes into account the long term economic development, training, education, and employment needs of our nation. The need for a national policy that effectively combats youth unemployment is crucial to the future of our society, and vital to our national interests. Such a policy needs to take into account outcomes which are desirable for all youth and young adults. Ways to achieve desired outcomes would then provide a framework for various policy elements. An example of a desirable outcome might be:

> to establish a national education, employment and training policy that would provide our nation's youth and young adults with opportunities for skill development, access to an adequate education, and meaningful employment opportunities.

My purpose this morning is to share with you a number of issues which I believe must be addressed in any federal legislative effort aimed at providing the kind of comprehensive education and employment policy referred to above:

1. Economic Development/Job Creation

Congress may not have adequately addressed the issue of economic development and/or job creation in previous education and employment legislation. Currently, there appears to be a growing mismatch between where the youth are and where the jobs are, as witnessed by the exodus of job opportunities from many of our central cities.

2. Coordination and Linkage of Education, Employment, and Training

New federal legislation should recognize the primary role of the public school system in providing educational services by authorizing the education community to assume primary responsibility for the educational aspects of employment and training programs, in a collaborative model with the employment and training system, (e.g., CETA, etc.). Coordination between education and employment and training programs can be ensured by providing in legislation for incentives to collaboration. For example, the transition from school to work can be assisted by the coordination of cooperative education experiences and the provision of job placement programs for in-school youth.

3. Basic and Employability Skills Development

Congress should authorize the expenditure of basic skills and employability skills training, in recognition of the fact that employers view basic literacy skills as vital to the creation of a stable, trainable work force. Congress must support our public schools in their efforts to improve the reading, writing, and computational skills of our youth and young adults.

4. Occupational Skills Development

Current legislation makes cooperation between the education and employment and training systems voluntary and permissive. New legislation should ensure strengthened cooperation, as noted above, especially in the area of specific occupational skill development. For example, vocational education emphasizes occupational skill development, but is supported mainly by state and local funds. Yet, in many instances vocational education services have not been coordinated with federally supported programs under CETA.

5. Employability Development Plan

The Council has long supported the concept of an individualized Employability Development Plan (EDP) as a central element in the effort to help young people become employable. The basis for our support of this concept is the notion that an individualized plan is the best way to help fit the system to the varying needs of individuals, rather than attempting to force individuals to fit a rigid educational/training system. An individualized plan can also provide a way to monitor and evaluate progress towards each individual's education and employment goals.

6. Developmental Services Sequence

In too many cases, the provision of necessary education, training, and support services to young people is limited and fragmented by legislatively mandated limits on eligibility for various programs and services. Any new policy should establish a sequence of coordinated services, available to all participants as dictated by the terms of their EDPs, rather than by arbitrary rules of eligibility.

7. Age Group

The education system can help persons from any age group improve their employability skills. However, the Council is primarily concerned with youth and young adults. For the purposes of any new federal policy, we would strongly advocate that eligibility for services begin no later than age 14, and extend to young adults through 25 years of age.

8. Special Populations

Federal support for education, employment and training activities should be targeted on those most in need of assistance: the economically and educationally disadvantaged, the handicapped, young women and young men wishing to enter non-traditional occupations, and those with limited English proficiency.

9. Governance: State Role

States currently are responsible for providing and maintaining public school systems. This governance structure must be recognized in any new federal policy which addresses education, employment and training for young people. At the same time, I believe programs are best managed by those who are closest to them. This means that once expected outcomes are established, the means for achieving those outcomes should be left to state and local program administrators. Some functions, such as that of providing occupational information, are best accomplished at the state level. The existing SOICC structure, however, should be reformed to give SOICCs a precisely defined role.

10. Planning and Funding Cycles

Education, employment and training programs must be given legislative authority for multi-year planning cycles, with annual funding levels dependent on compliance, performance, and the availability of funds. Also, I would suggest that employment and training programs join other education programs in being forward- or advance-funded, so that each year's appropriations are actually spent in the following fiscal year. Such a system allows adequate planning and budgeting by local and state program operators (although it does expose such funds to the budget-cutters' knives for a very long period!).

11. Academic Credit

Credit for appropriate work experience has a proven record of acceptance among educators and prime sponsors where both have collaborated to reach agreement on standards and requirements. This is an important concern that specific legislative language must address if youth and young adults are to have access to a full range of options in their pursuit of education, employment and training leading to productive working lives.

12. Supplement/Supplant and Excess Costs

Federal dollars should be used to pay for the special services required to help all young people become employable. Such funds should not be used to supplant local or state funds for program operations. At the same time, any new federal program must not become so enmeshed in detailed accounting requirements that common-sense program operation becomes impossible.

13. Private Sector Involvement

The private sector should be involved at every stage of planning and operation of education, employment and training programs which are aimed at helping young people become employable in the private sector.

14. Advisory Councils

The current proliferation of federal, state and local advisory councils (e.g.. SETC, SACVE, etc.) often creates overlap and duplication of membership and function. New legislation must consider alternative methods for establishing such councils, and a more concise role and function for them. The Council has advocated the establishment of a single state-level advisory council covering federally-supported activities in vocational education, employment and training, and basic education.

This Congress has an opportunity to construct legislation which will ensure the coordination and collaboration of education, employment and training programs in a concerted effort to address one of this nation's most pressing social problems, that of undereducated, unemployed, and underemployed youth and young adults. I urge you not to let this opportunity pass because of momentary concerns about the need for budgetary controls; this problem will cost much more in the long run if left unaddressed than if we put together a resolute effort to deal with it now.

Senator **Quayle**. Mr. Keene.

Mr. **Keene**. Thank you, Senator Quayle.

I am William B. Keene, State superintendent of public instruction for Delaware, and I appreciate your invitation to speak for a few minutes on a topic that you recognize as being of great importance.

State Superintendent Benton has cited the major concerns that American educators have about the challenge of preparing young people for employment and about our need to turn to Congress for help. I concur with his listing of those concerns, including the importance of giving States as much leeway as possible in addressing local needs while helping to meet national objectives.

Let me descend to a concrete level and mention briefly a program in Delaware that has had a success remarkable enough so that after a few years, it has been adopted as a model in five other States. It is called Jobs for Delaware Graduates. It has doubled the placement rate for high school students who otherwise run the risk of finding no employment.

Three factors led to the program's success. One is it has won over as partners leaders of business of labor—people who are eager to improve our economic climate, and have provided entry level jobs for students in the program.

A second factor in the program's success is it recognizes the importance of motivating students. Perhaps in the good old days, we all inherited a work ethic. As young people, we were eager to work and were, in fact, proud to work as a step toward maturity. Whether or not that was true in the past, it clearly is not true for many young people today. They need help to develop their work instincts.

Jobs for Delaware Graduates succeeded because its designers found new ways to inspire students with hope and confidence enough to tap their natural desire to work and to feel all the pride and success that comes with gainful employment.

The third factor in our program's success lies in its proper timing. As an educator, I assure you there are teachable moments and that for any instruction to succeed, the teacher must take that into account. In no field of education is that so critically important as in preparing young people to work.

Young people are influenced by many factors and from an early age, negative factors that discourage a work ethic prey upon them. We need programs to combat those influences and to teach young people at the right moment. I know many young people who have, in fact, been rescued from a lifetime of marginal living and even of criminal activity by being enrolled in the right program at the right time.

You must, of course, deal with many urgent requests for public funds, but many young people only go through the school system once. Our school system has to make sure that programs that fit their needs are in place when the students look for them. We apply all the local resources we can in our States to build such programs, and we surely need continued help from Congress.

Shakespeare says, "There is a time in the affairs of men which, taken at the flood, leads on to fortune; omitted, all the voyages of their life are bound in shallows and miseries." That tide does not affect only the young people we are appealing for today; our entire Nation is aboard that ship. To keep our Nation afloat, I hope you will agree with me that we must take that tide as it comes, and the tide is upon us.

I have also submitted some additional comments that will be made available to the committee.

Senator QUAYLE. Thank you very much, Mr. Keene, and your statement in its entirety will also be submitted into the record.

[The prepared statement of Mr. Keene follows:]

Statement of

William B. Keene

Superintendent of Public Instruction

State of Delaware

Vice Chairman of the Council of Chief State School Officers

Committee on Employment and Education

Regarding Youth Employment Policy

before the

Subcommittee on Employment and Productivity

Committee on Labor and Human Resources

United States Senate

June 19, 1981

INTRODUCTION

MY NAME IS WILLIAM B. KEENE AND I AM SUPERINTENDENT OF THE DEPARTMENT OF PUBLIC INSTRUCTION. I WANT TO THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS PANEL ON THE SUBJECT OF EMPLOYMENT AND TRAINING.

THE PROBLEM OF UNEMPLOYMENT HAS A VERY CLEAR BEGINNING. THAT BEGINNING IS WITH THE YOUTH OF THIS COUNTRY, NEARLY HALF OF ALL THE UNEMPLOYED PEOPLE IN THE NATION ARE UNDER THE AGE OF 24. STUDIES SHOW THAT, IF A RECENTLY GRADUATED HIGH SCHOOL SENIOR HAS NO CAREER PLANS, COLLEGE, ARMED SERVICES OR SOME OTHER CAREER PURSUIT DURING THAT FIRST POST-GRADUATE YEAR, HE/SHE TENDS TO BECOME A CHRONICALLY UNEMPLOYED PERSON. THOSE MOST LIKELY TO BE/UNEMPLOYED ARE YOUNG PEOPLE WHO LEAVE THEIR SCHOOL DAYS WITH LITTLE OR NO DIRECTION, NO MOTIVATION, NO JOB PROSPECTS, AND NO WHERE TO TURN. UNFORTUNATELY, WE HAVE, IN THE PAST, ONLY RECOGNIZED THESE YOUNG ADULTS AFTER THEY FIT THE UNEMPLOYED CATEGORY OR WORSE. AT THAT POINT THEY BECOME A PART OF THE GLARING STATISTICS AND THEN, SUDDENLY, WE SEE AN URGENT NEED TO REMEDY THAT STATUS.

WHEN WE TAKE A CLOSE LOOK AT THIS GROUP, IT BECOMES ABUNDANTLY CLEAR THAT MOST LACK BASIC JOB SKILLS, PERSONAL CONFIDENCE, AND MOTIVATION AND AN UNDERSTANDING OF THE KINDS OF ENTRY LEVEL POSITIONS THAT MAY, IN FACT, BE AVAILABLE TO THEM. THAT UNDERSTANDING CLEARLY POINTS TO THE NEED FOR INTENSIVE JOB PREPARATION, DEVELOPMENT OF EMPLOYMENT SKILLS, AND PERSONAL MOTIVATION.

THIS IS AN EDUCATING PROCESS TO BE SURE. HOWEVER, AT THAT POINT, WE ARE TOO LATE TO CAPTURE THEM BACK INTO THE EDUCATIONAL SYSTEM. WE HAVE LOST THESE YOUNG PEOPLE TO THE STREETS, THE UNEMPLOYMENT LINES AND DESPAIR. OBVIOUSLY, THE BEST TIME TO REACH THEM IS WHILE THEY ARE STILL IN SCHOOL--BEFORE THEY BECOME UNEMPLOYED. THE SUCCESSFUL RELATIONSHIP BETWEEN EDUCATION AND ANY YOUTH UNEMPLOYMENT PACKAGE IS ABSOLUTELY VITAL. IT CAN NOT BE OVERSTATED.

I FEEL IT IS IMPORTANT TO NOTE HERE THAT THE EDUCATIONAL SYSTEM IN THIS COUNTRY IS NOT LACKING IN ITS COMMITMENT TO ITS CHARGES. IT IS SIMPLY IMPOSSIBLE FOR THE EDUCATIONAL SYSTEM TO BE ALL THINGS TO ALL PEOPLE--NO INSTITUTION ALONE CAN BE THAT.

TOO OFTEN, POTENTIALLY UNEMPLOYABLE YOUTH ARE OVERLOOKED IN THE PROCESS OF HELPING OTHERS WHO HAVE SOME DIRECTION FULFILL THEIR GOALS AND DREAMS. FINALLY, IT IS NOT, I BELIEVE, EDUCATION'S RESPONSIBILITY ALONE TO FIND JOBS FOR GRADUATING SENIORS, PREPARE THEM FOR THOSE JOBS AND AID THEM IN JOB RETENTION.

YOUTH EMPLOYMENT

STATEMENT OF THE PROBLEM

THE CURRENT YOUTH EMPLOYMENT SITUATION, IF LEFT UNATTENDED, WILL RESULT IN A SIGNIFICANT NUMBER OF YOUTH AND YOUNG ADULTS WHO WILL NOT CONTRIBUTE AT ALL OR ONLY MARGINALLY TO THE PRODUCTIVITY OF OUR ECONOMY IN THE COMING DECADE. IN ECONOMIC TERMS, THE PROBLEM IS SIMPLY THAT THE YOUTH WHO DO NOT RECEIVE APPROPRIATE JOB PREPARATION AND WORK EXPERIENCE TODAY WILL NOT BE PRODUCTIVE ADULTS TOMORROW. IN HUMAN TERMS, THE PROBLEM TO BE FACED IS THAT A SIGNIFICANT NUMBER OF YOUNG PEOPLE HAVE A HIGH RISK OF EXPERIENCING A LIFE-TIME OF CHRONIC UNEMPLOYMENT AND MARGINAL EMPLOYMENT. TROUBLING ENOUGH IN ITSELF, THIS PROBLEM BECOMES EVEN MORE DISTURBING WITH THE REALIZATION THAT IT PERSISTS DESPITE THE LARGE ANNUAL EXPENDITURES IN MOST STATES ON ELEMENTARY AND SECONDARY EDUCATION; ON POST SECONDARY EDUCATION; ON COMPENSATORY EDUCATION AT THE ELEMENTARY AND SECONDARY LEVEL, AND ON REMEDIAL EMPLOYMENT AND TRAINING PROGRAMS FOR YOUTH. IN THE FISCAL YEAR 1978-79 THE DEPARTMENT OF LABOR REPORTED TO DELAWAREANS THAT 45% OF OUR YOUTH, AGES 16 to 24 YEARS, WERE UNEMPLOYED.

BETWEEN 1980 AND 1985, THE NUMBER OF YOUTH BETWEEN THE AGES OF 16 and 24 IN DELAWARE IS PROJECTED TO DECLINE APPROXIMATELY 15%. IN THE SAME PERIOD, THE NUMBER OF YOUNG ADULTS AGES 20 TO 24 IS EXPECTED TO DECREASE BY 5%. THIS POPULATION DECLINE IS EXPECTED TO RESULT IN AN ACCOMPANYING DECREASE IN THE NUMBER

OF YOUTH AND YOUNG ADULTS IN THE LABOR FORCE. THIS DOWNWARD TREND IN BOTH POPULATION AND LABOR FORCE IS EXPECTED TO CONTINUE THROUGH 1990 FOR PERSONS AGES 16 TO 25. ON THE OTHER HAND, THE OVERALL UNEMPLOYMENT RATE IS EXPECTED TO DECLINE BY 1985. CONSEQUENTLY, DESPITE THE CURRENT RECESSION AND HIGH YOUTH UNEMPLOYMENT RATE, DELAWARE MAY WELL EXPERIENCE A RELATIVELY TIGHT YOUTH LABOR MARKET BY 1985.

THUS, BY 1985, THE STATE COULD BE CONFRONTED WITH THE DUAL SPECTORS OF BOTH HIGH YOUTH UNEMPLOYMENT AND A SHORTAGE OF EMPLOYABLE YOUNG WORKERS.

FACTORS BEARING ON THE PROBLEM

DIMENSIONS OF THE YOUTH UNEMPLOYMENT PROBLEM:

ON THE NATIONAL LEVEL, THE FOLLOWING 1979 DATA FOR YOUTH IN THE AGE GROUP OF 16 AND 21 ILLUSTRATE THE SCOPE OF THE YOUTH UNEMPLOYMENT PROBLEM.

- UNEMPLOYMENT (THE NUMBER OF PERSONS SEEKING WORK AND ATTACHED TO THE LABOR FORCE WHO DO NOT HOLD JOBS) OF ALL YOUTH IS 13.9 PERCENT, TWO AND ONE HALF TIMES THE NATIONAL AVERAGE.
- MINORITY YOUTH EXPERIENCED MORE UNEMPLOYMENT THAN WHITE YOUTH. HISPANICS HAVE A 16.4 PERCENT UNEMPLOYMENT RATE AND BLACK YOUTH HAVE A 31.4 PERCENT UNEMPLOYMENT RATE. THE BLACK UNEMPLOYMENT RATE FOR YOUTH IS TWO AND ONE-HALF TIMES THE WHITE YOUTH UNEMPLOYMENT RATE.
- YOUTH FROM POOR FAMILIES EXPERIENCE A 19.3 PERCENT UNEMPLOYMENT RATE.
- THE UNEMPLOYMENT RATE FOR HIGH SCHOOL DROPOUTS (WHO COMPRISE 16 PERCENT OF EVERY HIGH SCHOOL CLASS) IS 20.5 PERCENT, TWO TO THREE TIMES THE RATE FOR HIGH SCHOOL GRADUATES.

FACTORS WHICH AFFECT JOB PROSPECTS FOR YOUTH: DEMAND SIDE

- INCREASED TECHNOLOGY. AT THE SAME TIME THAT JOBS ARE BECOMING MORE TECHNICAL, REQUIRING INCREASINGLY SOPHISTICATED COMMUNICATIONS SKILLS, MORE YOUNG PEOPLE ARE REACHING MATURITY WITHOUT BASIC SKILLS AND EXPERIENCE NEEDED TO FILL THESE JOBS. IN 1970, ONLY 8 PERCENT OF JOBS IN THE ECONOMY WERE OPEN TO THE 26 PERCENT OF AMERICAN YOUTH WITH

LOW EDUCATIONAL LEVELS -- 11 YEARS OF SCHOOL OR LESS. IN THIS LABOR MARKET, UNDER-EDUCATED YOUNG PERSONS MUST COMPETE WITH MATURE ADULTS WHO HAVE NOT ATTAINED HIGH SCHOOL GRADUATION.

- CURRENT ECONOMIC TRENDS. SLOWER ECONOMIC GROWTH, AN UPSURGE OF IMMIGRATION, UNDOCUMENTED WORKERS ESTIMATED TO COMPRISE FROM 2 TO 19 PERCENT OF THE U.S. LABOR FORCE, INCREASING LABOR FORCE PARTICIPATION OF WOMEN, AND CHANGES IN FAMILY STRUCTURE WILL ALTER THE SUPPLY AND DEMAND FOR LABOR, MAKING IT MORE DIFFICULT FOR YOUTH TO OBTAIN ENTRY-LEVEL EMPLOYMENT AND THE NECESSARY EXPERIENCE FOR FUTURE JOBS.
- GEOGRAPHIC PATTERNS. ABOUT 41 PERCENT OF NONWHITE YOUTH AND 6 PERCENT OF WHITE YOUTH LIVE IN DEPRESSED URBAN AREAS, WHERE UNEMPLOYMENT IS ESPECIALLY HIGH.
- DISCRIMINATION. SOME EMPLOYERS DISCRIMINATE ON THE BASIS OF RACE, SEX, AGE, OR PERSONAL CHARACTERISTICS WHEN HIRING OR WHEN SETTING WAGE RATES.
- THE LEGISLATED MINIMUM WAGE. SOME ECONOMISTS FEEL THAT THE CURRENT HIGH MINIMUM WAGE CAUSES EMPLOYERS TO BE LESS WILLING TO HIRE AN INEXPERIENCED YOUNG PERSON FOR AN ENTRY-LEVEL POSITION WHEN THERE ARE OLDER WORKERS AVAILABLE TO FILL THE POSITION. THE HIGH MINIMUM WAGE MAY ALSO SIMPLY DISCOURAGE EMPLOYERS FROM HIRING ADDITIONAL WORKERS.
- CHILD LABOR LAWS. IT IS POSSIBLE THAT PROTECTIVE LEGISLATION LIMITING THE TIME AND HOURS A YOUTH UNDER 18 CAN WORK LIMITS THE JOB OPPORTUNITIES AVAILABLE TO SUCH YOUTH.

FACTORS WHICH AFFECT JOB PROSPECTS FOR YOUTH: SUPPLY SIDE

- EXCESS WAGE ASPIRATIONS OF YOUTH. YOUNGSTERS MAY FAIL TO TAKE A JOB IF IT DOES NOT PAY RELATIVELY HIGH WAGES AND MAY WAIT UNTIL A HIGHER-PAYING JOB IS OPEN TO THEM. THIS ACTION QUALIFIES THEM AS UNEMPLOYED.

- HIGH TURNOVER IN JOBS. INADEQUATE LABOR MARKET INFORMATION, POOR PREPARATION FOR WORK, AND POOR SKILLS ALL CONTRIBUTE TO THE HIGH TURNOVER IN YOUTH EMPLOYMENT. WHILE A CERTAIN AMOUNT OF JOB SAMPLING IS EXPECTED OF NEW WORKERS, INCREASING JOB MOBILITY MAKES EHOLOYERS WARY OF HIRING YOUNG WORKERS WHO MAY BE PERCEIVED AS LESS STABLE THAN OLDER WORKERS.
- INADEQUATE EDUCATION. THERE IS A DIRECT RELATIONSHIP BETWEEN LOW WAGES AND UNEMPLOYMENT WHICH HAS BEEN TRACED TO INADEQUATE EDUCATION. THIS REFLECTS BOTH POOR PREPARATION IN BASIC SKILLS AND IN OCCUPATIONAL SKILLS.
- LACK OF UNDERSTANDING OF WORKPLACE NORMS AND EXPECTATIONS. WITHOUT ADEQUATE PREEMPLOYMENT EDUCATION AND TRAINING, MANY YOUNG PEOPLE DO NOT UNDERSTAND THE IMPORTANCE TO EMPLOYERS OF NORMS OF PROMPTNESS, RELIABILITY, AND OTHER ATTRIBUTES TO EMPLOYERS.

SUGGESTED SOLUTION TO THE PROBLEM

THE PROBLEMS OF YOUTH UNEMPLOYED THAT EXIST IN DELAWARE ARE NOT UNLIKE THOSE THAT EXIST IN THE REST OF THE NATION. LET ME BRIEFLY DESCRIBE THE VOCATIONAL SYSTEM IN DELAWARE.

SECONDARY PROGRAMS

THE SECONDARY PROGRAMS WHICH PROVIDE TRAINING FOR GRADES 7-12 ENROLL APPROXIMATELY 40,000 STUDENTS IN OVER 50 DIFFERENT PROGRAM AREAS THAT INCLUDE AGRICULTURE, DISTRIBUTIVE EDUCATION, INDUSTRIAL ARTS, TRADE AND INDUSTRIAL EDUCATION, HOME ECONOMICS, AND BUSINESS AND OFFICE EDUCATION. THESE PROGRAMS ARE OFFERED IN EACH OF THE 26 HIGH SCHOOLS. IN ADDITION, THE INTENSIFIED PROGRAMS ARE OFFERED THROUGH SIX AREA VOCATIONAL TECHNICAL SCHOOLS--THREE IN NEW CASTLE, TWO IN KENT COUNTY, AND ON IN SUSSEX COUNTY.

WITH THE PERCEPTION OF THE UNEMPLOYMENT PROBLEM IN DELAWARE, GOVERNOR PETE du PONT REQUESTED ALL OF US IN PUBLIC AND PRIVATE POSITIONS OF RESPONSIBILITY TO HELP DEVISE A PLAN THAT WOULD ADDRESS THE PROBLEM AT ITS VERY ROOTS.

THE PROGRAM, JOBS FOR DELAWARE GRADUATES BEGAN TWO YEARS AGO. THE IDEA

AGREED TO BY OVER FOUR HUNDRED DELAWAREANS SERVING IN FIVE DIFFERENT TASK FORCES WAS TO TRANSITION ALL THE STATE'S HIGH SCHOOL GRADUATES WHO NEEDED ASSISTANCE INTO THE PRIVATE SECTOR AND PROVIDE CONTINUING FOLLOW-UP SERVICES FOR A FULL NINE MONTHS AFTER GRADUATION.

MORE THAN EIGHTY-ONE PERCENT OF THOSE AVAILABLE FOR WORK ARE CURRENTLY ON THE JOB IN A STATE WHERE THE UNEMPLOYMENT RATE HAS OFTEN BEEN SIGNIFICANTLY HIGHER THAN THE NATIONAL AVERAGE. THE COST PER PLACEMENT FOR THE JOBS FOR DELAWARE GRADUATE PROGRAM IS ONE-FOURTH THE COST FOR CURRENT CETA PROGRAMS, ($1500 VS $6000).

ONE CAN NOT OVERLOOK THE INVOLVEMENT OF STUDENTS THEMSELVES IN MAKING THIS PROGRAM SO SUCCESSFUL. SIXTY PERCENT OF ALL THE YOUTH IN THE PUBLIC HIGH SCHOOLS INVOLVED IN THE FIRST YEAR OF THE PROJECT REQUESTED TO BE INVOLVED IN THE PROGRAM! THESE YOUNG PEOPLE ARE MOTIVATED THROUGH PARTICIPATION IN A NEW VOCATIONALLY ORIENTED STUDENT ORGANIZATION. THE KEY IS THAT THEY FINALLY BELONG TO SOMETHING. THEY ORGANIZE IT AND MAKE IT WORK AND ARE RECOGNIZED FOR ACHIEVEMENT IN BASIC EMPLOYMENT SKILLS. THIS STUDENT ORGANIZATION IS THE ALL IMPORTANT TOOL FOR SOCIAL GROWTH AND ACCEPTANCE.

THE PROGRAM IS RUN DIRECTLY IN THE SCHOOLS AND IS ADMINISTERED BY A NON-PROFIT PUBLIC SERVICE CORPORATION. ON IT'S BOARD SIT THE KEY LEADERS OF THE COMMUNITY, BUSINESS, GOVERNMENT, EDUCATION, AND LABOR WHO AGREE TO ACCEPT PERSONAL RESPONSIBILITY FOR THE SUCCESS OF THE PROGRAM. GOVERNOR duPONT, HIMSELF, SERVES AS CHAIRMAN OF THE BOARD, FURTHER DEMONSTRATING HIS PERSONAL COMMITMENT AND THE PRIORITY OUR STATE HAS PLACED TO RESOLVING THIS PROBLEM.

TO ME, WHAT SETS THIS PROGRAM APART, IS THE FACT THAT IT ATTEMPTS TO SOLVE PROBLEMS BEFORE THEY BECOME A PROBLEM.

THE SUCCESS OF JOBS FOR DELAWARE GRADUATES HAS NOW GIVEN BIRTH TO JOBS FOR AMERICA'S GRADUATES, A NATIONAL NON-PROFIT, PUBLIC SERVICE CORPORATION, ALSO CHAIRED BY GOVERNOR duPONT (AND I TOO SERVE ON THE BOARD). THIS PROGRAM HAS

OTHER TEST SITES IN MISSOURI, TENNESSEE, ARIZONA, AND MASSACHUSETTS. FULLY REALIZING THAT SUCCESS IN DELAWARE NEEDED TO BE VALIDATED ELSEWHERE, THE OBJECTIVE OF JOBS FOR AMERICA'S GRADUATES OVER A THREE YEAR PERIOD IS TO SUCCESSFULLY DEMONSTRATE THE VIABILITY OF THIS CONCEPT IN A VARIETY OF GEOGRAPHIC, DEMOGRAPHIC, ECONOMIC, AND SOCIAL SITUATIONS.

I BRING THESE PROGRAMS TO YOUR ATTENTION AS A LOCAL INITIATIVE, ONE THAT MOBILIZES THE ENTIRE COMMUNITY BEHIND THE EFFORT AND THEN HAS THE COMMUNITY, NOT JUST THE SCHOOLS, ACCEPT THE RESPONSIBILITY FOR PERFORMANCE. I SINCERELY BELIEVE THERE IS AN ANSWER TO THE UNEMPLOYMENT PROBLEM AND THAT ANSWER BEGINS WITH THIS NATION'S MOST VALUABLE RESOURCE--ITS YOUTH. WE NEED A MARRIAGE BETWEEN EDUCATION, GOVERNMENT, AND THE PRIVATE SECTOR. LOCALITIES NEED TO FEEL RESPONSIBLE FOR THEIR OWN UNEMPLOYED. THE FEDERAL GOVERNMENT DOES NOT NEED TO MAINTAIN THESE YOUNG PEOPLE--THEY NEED TO MAINTAIN THEMSELVES. THEY NEED THEIR PRIDE, A SENSE OF BELONGING AND A FEELING OF CONTRIBUTION TO THEIR COMMUNITY. THOSE OF US RESPONSIBLE FOR AMERICA'S PUBLIC EDUCATIONAL SYSTEM STAND PREPARED TO BE WILLING PARTNERS TO RID US OF THIS NATIONAL TRAGEDY.

POST SECONDARY

THE POST-SECONDARY ASSOCIATE DEGREE PROGRAMS ARE PRIMARILY OFFERED THROUGH DELAWARE TECHNICAL AND COMMUNITY COLLEGE. THESE PROGRAM OFFERINGS COMPLEMENT THOSE OFFERED IN THE SECONDARY SYSTEM WITH MORE EMPHASIS ON ADVANCED SKILLS AND TECHNICAL EXPERTISE. THERE--ARE FOUR CAMPUSES--TWO IN NEW CASTLE AND ONE IN KENT AND SUSSEX COUNTIES. THERE IS AN ENROLLMENT OF OVER 60,000 STUDENTS.

ADULT PROGRAM

THE ADULT PROGRAM WHICH FUNCTIONS AT ALL OF THE AREA VOCATIONAL TECHNICAL SCHOOLS AND COMMUNITY COLLEGE LEVEL, USUALLY ARE EVENING PROGRAMS WHERE ADULTS HAVE AN OPPORTUNITY TO UPGRADE, RETRAIN, OR PREPARE FOR AN OCCUPATIONAL CHANGE. THERE ARE OVER 14,000 ENROLLEES.

PRIVATE TRADE SCHOOLS

THE PRIVATE TRADE SCHOOLS WHICH ACCOUNT FOR A RELATIVE FEW TRAINING PROGRAMS BUT ARE REGULATED THROUGH THE STATE BOARD. THERE ARE OVER 1,200 ENROLLEES.

PROJECT 70,001

PROJECT 70,001, DEVELOPED IN WILMINGTON, DELAWARE IN 1969, FIRST UNDER A GRANT FROM THE THOM McAn COMPANY IS DESIGNED SPECIFICALLY TO MEET THE NEEDS OF YOUNG PEOPLE (16 TO 22 YEARS) WHO ARE GENERALLY: 1) HAVE LEFT SCHOOL BEFORE COMPLETING TWELVE GRADES; 2) ARE UNEMPLOYED; 3) ARE UNABLE TO OBTAIN REGULAR EMPLOYMENT. IN ADDITION, THE PROGRAM IS DIRECTED TO THOSE YOUNG PEOPLE WHO HAVE HAD A PROBLEM RELATED TO THEIR ECONOMIC LEVEL, EDUCATIONAL ACHIEVEMENT, ATTITUDE, AND THOSE WITH A POLICE RECORD OF MINOR OFFENSES.

PRJECT 70,001 COMBINES ON-THE-JOB WORK EXPERIENCES IN MARKETING AND DISTRIBUTION IN THE PRIVATE SECTOR WITH A FULL RELATED PROGRAM OF YOUTH ACTIVITIES AND CLASSROOM INSTRUCTION.

THE AVERAGE COST HAS BEEN $1,000 PER ENROLLEE PER YEAR WITH A RATIO OF NO MORE THAN TWO COORDINATORS FOR EVERY 50 ENROLLEES. FULLY 71% OF THE ENROLLEES ARE ON THE JOB AFTER A YEAR OR MORE.

AN INDEPENDENT STUDY OF THE KANSAS CITY PROGRAM DEMONSTRATES THE COST/BENEFIT OF 70,001 TO BE A RATIO OF 3:1. BEFORE THE END OF THE SECOND YEAR AFTER GRADUATION FROM THE PROGRAM, THE ENROLLEE HAS PAID BACK, THROUGH TAXES AND FOREGONE WELFARE PAYMENTS, THE ORIGINAL INVESTMENT IN THE PROGRAM. A TEN YEAR PROJECTION OF A CONTROL GROUP OF 50 ENROLLEES SHOWS A RETURN OF $1.5 MILLION OVER THAT PERIOD ON AN INVESTMENT OF $54,000 ON 50 ENROLLEES. 70,001 DOESN'T COST, IT PAYS!

THERE IS A MAJOR SHORTAGE OF SKILLED PEOPLE IN THE NATION THAT WILL HINDER BOTH OUR MILITARY OBJECTIVES AND OUR ECONOMY. WITH THE CURRENT NEED FOR ADEQUATE TRAINED TECHNICAL PERSONNEL--SECONDARY PROGRAMS IN VOCATIONAL EDUCATION INCLUDING JDG CAN ASSIST STUDENTS IN THE ACQUISITION OF SKILLS THAT COULD ALLOW FOR ADVANCE PLACEMENT IN THE MILITARY SERVICE.

THESE ARE A NUMBER OF THE TRAINING METHODS USED--ON THE JOB TRAINING, INSTITUTIONAL TRAINING, WHERE BUSINESS AND INDUSTRY ARE SIMULATED WITHIN OUR VOCATIONAL SCHOOLS AND PLANT TRAINING WHERE INSTRUCTORS ARE SENT TO BUSINESS AND INDUSTRY.

WE ARE PROUD TO SAY THAT ON THE JOB TRAINING ON THE PART OF HIGH SCHOOL STUDENTS ALONE THIS PAST YEAR HAS BENEFITTED APPROXIMATELY 2,500 STUDENTS. COLLECTIVELY, THEY HAVE WORKED MORE THAN 1,500,000 HOURS AND EARNED WELL OVER FIVE MILLION DOLLARS IN WAGES. OVER $222,000 IN FEDERAL TAXES WERE WITH-HELD. THIS IS WHY WE CAN HONESTLY SAY THAT VOCATIONAL EDUCATION REALLY DOESN'T COST; IT PAYS.

CONCLUSION

VOCATIONAL EDUCATION PROGRAMS PREPARE WORKERS FOR AMERICA'S BUSINESS AND INDUSTRY. TRAINING IS PROVIDED IN LOCAL INSTITUTIONS UNDER THE DIRECTION OF LOCAL BOARDS AND WITH THE ADVICE OF COMMUNITY EMPLOYERS. WE HAVE A NETWORK IN PLACE TO ADDRESS THIS NATIONAL EMERGENCY OF DOUBLE DIGIT INFLATION AND DECLINING PRODUCTIVITY.

WE ARE GRAVELY CONCERNED OVER THE PROPOSED RECISSION IN VOCATIONAL EDUCATION FOR FY 1981 AND THE PROPOSED REDUCTION IN FY 1982. IF THESE CUTS GO THRU, WE ARE SIMPLY GOING TO HAVE TO SUBSTANCIALLY REDUCE OR CLOSE DOWN THE VOCATIONAL PROGRAMS. THAT WILL BE A TRAGEDY, FOR THE YOUTH THAT ARE BENEFITTING FROM THEM AND THEIR EMPLOYERS WHO NEED THEIR SKILLS.

FOR A DECADE NOW, THE FEDERAL GOVERNMENT HAS FALLEN BACK ON ITS ROLE IN HELPING TO SUSTAIN VOCATIONAL PROGRAMS AT A QUALITY LEVEL. SINCE, 1972, THE FEDERAL INVESTMENT IN VOCATIONAL EDUCATION IN ACTUAL DOLLAR PURCHASING POWER HAS DROPPED OVER $100 MILLION BELOW THE 1972 LEVEL. IN TERMS OF PER PUPIL INVESTMENT NATIONWIDE, FEDERAL INVESTMENT, NATIONWIDE, FEDERAL INVESTMENT HAS DROPPED 100 PERCENT FROM THE ACTUAL DOLLAR PURCHASING POWER IN 1972 OF $34 DOWN TO APPROXIMATELY $15 IN 1979. WITH THE REDUCED FEDERAL INVESTMENT IN THE DECADE OF THE 1970S WE HAVE

BEEN ABLE TO KEEP PROGRAMS OPEN, BUT THEIR QUALITY HAS BEEN REDUCED BECAUSE WE HAVE NOT BEEN ABLE TO KEEP THE LABS, THE CIRRUCILUM AND THE INSTRUCTORS UP TO DATE IN TERMS OF THE REQUIREMENTS OF THE WORK SETTING. WE SIMPLY HAVE NOT BEEN ABLE TO MAKE UP THE LOSS OF FEDERAL INVESTMENT THAT WE'VE TAKEN IN THIS PROGRAM DURING THE 70S AND THERE IS NO WAY WE CAN KEEP OUR PROGRAM OPEN ANY LONGER IF THE CUTS GO THROUGH.

MY REQUEST OF YOU IS THAT YOU WORK TOWARD AT LEAST MAINTAINING LEVEL FUNDING FOR VOCATIONAL EDUCATION IN FY 1981 AND FY 1982. THERE WILL BE NO CHOICE IF THIS IS NOT DONE, FOR THE NATURE OF THIS NATION'S ECONOMY IS SUCH THAT WE HAVE TO HAVE SKILLED WORKERS. IF THE FEDERAL GOVERNMENT DOES NOT PARTICIPATE IN THE PARTNERSHIP PROGRAM WITH THE STATE AND LOCAL COMMUNITIES IN THIS MORE COSTLY ASPECT OF EDUCATION, THEN IT WILL HAVE TO BE PAID FOR THRU WELFARE OR THRU 100 PERCENT HIGH COST FEDERAL JOB TRAINING PROGRAMS. YOU GET MORE FOR DOLLARS INVESTED IN VOCATIONAL EDUCATION THAN YOU DO IN ANY OF THE 100 PERCENT FEDERALLY OPERATED JOB TRAINING PROGRAMS. I URGE YOU TO WORK WITH MEMBERS OF THE BUDGET AND APPROPRIATIONS COMMITTEES TO SUSTAIN LEVEL FUNDING AT LEAST FOR VOCATIONAL EDUCATION.

I THANK YOU AGAIN FOR YOUR TIME AND ATTENTION.

Senator **QUAYLE**. Both of you talked about linking education and training together to have a closer cooperation between the two. I wonder if there are any specific recommendations other than just better communication.

Have you given any thought to an actual consolidation of some of the vocational education and technical education with the training aspect? Instead of having them separate as they are now, is there any thought of really combining the two or not?

Dr. **BENTON**. I think that that does create some problems because at the Federal level, you have two distinct departments of Government dealing with that—the Department of Education, on the one hand, and the Department of Labor.

Senator **QUAYLE**. We are thinking about dismantling the Department of Education. Some of us hope that that will be achievable and are actually thinking about putting some of the vocational education into the training area. This is a suggestion that has been made.

Dr. **BENTON**. I would think that that would be a very serious mistake.

Senator **QUAYLE**. You think that would be a mistake?

Dr. **BENTON**. Yes. I think you would expect me to say that, coming from education, but I say it not just because I come from education, because I think there is a rather enviable record. When resources have been made available and the type of leadership that is necessary, there has been an enviable record coming out of vocational education within the educational setting.

The problem you are going to deal with here is, particularly if you are dealing with young people—and that is what you are dealing with—you have in place, then, and existing and I think a productive delivery system of a broad range of educational opportunities.

If you try to pull one of those parts out—in this case, vocational education—then you have the exact same circumstance that you are talking about with the difficulty of coordinating at the Federal level between the two; you have got the same thing at the local level, because your school system is going to be there and it is going to be operated under those kinds of circumstances.

So, I think that that would be a mistake and I think that there has been considerable coordination that has already been achieved. For example, in the State of Iowa, I think it is safe to say that most of the vocational training that has been going on both at the prime sponsor and in the remainder of the State has been done through joint efforts—many times, contracts—with our community colleges, our vocational and technical schools, and the local school systems.

So, I think it can be achieved, but I think if you try to pull basically an educational thrust out of the agencies that have been given that particular responsibility and try to create either a parallel system or a separate system, then I think there is going to be considerable frustration on the part of everybody.

Senator QUAYLE. Some of the employment training that we give our young people is education, is it not?

Dr. BENTON. Sure.

Senator QUAYLE. I mean, the two are very interrelated. We have had some testimony this week from some vocational education people and some technical schools that says that they have to retrain some of the young people that they are having come on in basic reading, fractions, mathematics, and things of this sort, before they can prepare them for a job.

So, the two, at least so far, are very compatible—closely related—the training and education. You are not going to have a trained, skilled person if they do not have at least a basic education.

Mr. KEENE. We would echo, Senator, exactly what you have just said. The success in the labor market today in a lot of cases can be traced to what has happened in the vocational programs in the public schools of this country. I do think that the kind of cooperation that we have seen in the past must continue.

I also must aqree with Superintendent Benton in that we are very concerned about how the funds are going to come into the system, and we would encourage continued support for vocational education as a basic program in the schools, in cooperation with business, industry, labor, and other functions of government.

Senator QUAYLE. How much responsibility should the Federal Government have for vocational education?

Mr. KEENE. Well, at the present time, it is very limited. I believe that if you would look at the total number of dollars that are going into vocational education in our State, the Federal involvement is a little bit over 10 percent, but it is very small. But those are important dollars for us to maintain our programs.

So, I would say that for you to reduce the current level of support would be a mistake. Whether there are additional resources needed—I think that is what we are going to have to look at, as a result of perhaps some changing patterns.

Dr. **Benton**. Senator, I think something that perhaps not enough attention has been given to in recent months under this Administration—there seems to be considerable concern about the whole issue of reindustrialization and economic development and things of this nature, which I think we all agree with. It is a very important concept that needs to be pursued in this country.

I would respectfully suggest to you that if that is going to happen, there has to be an involvement and, indeed, a linkage of the educational system to that endeavor. Economic development and reindustrialization, in my opinion, will not take place unless we continue to stress good educational opportunities and almost universal educational opportunities.

That, I think, is something that has not really been verbalized very much by many who talk about economic development and reindustrialization. They are not giving a heck of a lot of attention to what I think is a very important and, in fact, essential component to that circumstance, and that will be the continued improvement and the continued ability to provide meaningful educational opportunities in this country. So, I think that that has to be a part of that equation.

Senator **Quayle**. That equation that you refer to is very fundamental in the expansion of the private sector. It is very fundamental in having the capacity for industrial and economic growth. The question is how do we achieve it.

One of the real problems that I see in economic growth not only in the military aspect, but also in the nonmilitary aspect, is the problem we have with the shortage of skilled personnel in skilled trades. In whatever industry you are talking about, there is a real shortage of skilled workers.

What can we do about this shortage? Is this part of an education problem? Is it a training problem; that we are just not training these young people for jobs that people are really calling for?

Do they lack the educational and technical background to be able to compete and to do these very sophisticated jobs?

Dr. **Benton**. I think it is extremely difficult, in a general educational setting and in a vocational education setting, to always guarantee that you are going to put out individuals who know how to do specific jobs or sophisticated jobs in industry.

I think there is always probably going to have to be a specific training component to that circumstance either at the industrial level, or whatever. The State of Iowa and I think many other States do this, too. When a new industry comes into an area, we will, through our community colleges, or whatever, provide some assistance and actually carry on a lot of that type of training program. This is done quite commonly.

So, I think what you really have to recognize is that the vocational education system may very well be able to develop in a general way a set of skills and a set of attitudes, but that has got to be linked, in this case, to private industry in a meaningful way so that when there is a specific set of jobs that need to be done, then by linking with the educational system and that private industry, you can achieve that circumstance.

The first point that I made in my testimony here about this whole issue of jobs creation and these kinds of things really revolves around that issue of bringing those things all together at the same place.

You have a pool of youngsters, for example, in your inner city, and your inner cities have very little industrial output anymore. Now, how are you going to bring those two circumstances together?

So, somewhere along that line, that whole jobs creation-economic development thing has to be looked at, and how you finally bring them together.

Senator **QUAYLE**. Let me ask this question. You talked about training people for these jobs. You also mentioned the attitude change that may have to take place.

As people who are concerned about the education opportunities in this country and concerned about people getting the right jobs that are satisfying and rewarding—I wonder if we should change our emphasis on postsecondary education. Maybe we ought to really be putting greater emphasis on vocational education.

I do not know how many times I heard about the importance of a college degree when I was growing up in Huntington, Ind., in the fairly broad section of public schools that I went to. There was a lot of peer pressure for such a degree, and it is still there.

I wonder if as educators, we should think about refocusing and saying, "Actually, young people, you ought to think twice about going to college and instead get a computer science background or become a welder, or some skill such as that because that is what our country needs right now."

Has there been any thought or discussion in that area?

Dr. **BENTON**. It is not only peer pressure; it is parental pressure.

Senator **QUAYLE**. OK.

Dr. **BENTON**. All of my friends who are blue-collar workers, or whatever it is—their goal is to have their kids have a college diploma or college degree. I think many times they are just as guilty as those of us who have college degrees sometimes shoving our kids into that circumstance.

There is no question that you have indentified a very serious problem. It is one that probably can never be handled completely, but you can certainly, I think, deal with it through improved and better counseling services in terms of having kids really get a chance to look at what they really want and making some of those decisions on their own.

But that is a very difficult area. My youngest child graduated from high school this year, and I observed him and I thought of my own self in those times. There is no absolute answer to those things, because those are difficult times in every kid's life of making those kinds of decisions.

I think it is a very important issue and one that probably, in this country, we have over-stressed—the value of the college degree; there has been a certain prestige value. The irony, I think, in recent years, of course, is, though, that the college degree probably demands less salary than the highly technical and skilled things through the union circumstance. So, there has been kind of a reversal in that type of thing.

I know that in the voc tech 2-year schools, my superintendents tell me that they are having an increasingly large number of people now coming back into those schools who already have college degrees and cannot get jobs with those college degrees, particularly in the field of teaching. So, consequently, they are coming back, and that has created, again, a rather interesting problem because, generally speaking, an individual with a college degree comes back into that 2-year setting for computer science or whatever it is.

Frankly, there is some pretty stiff competition, then, being given to those people who have come right out of high school into those circumstances. So, you have got those kinds of mixes that are kind of hard to deal with, but they are there.

Mr. **Keene**. Some of the statistics in the written testimony that I have presented do deal with that issue in Delaware and what has happened. We do see some changes. There has been really quite an extensive effort to counsel youngsters into job opportunities that are going to be available to them as a result of the vocational programs that we have.

But there are certain other things that we are faced with today with youngsters going out into the job market. Everyone wants to start out at a $20,000 salary level. There is a high turnover in jobs; youngsters just are not willing to go in and do the kinds of things they have to do. They do not seem to have the sticktoitiveness.

We have discussed the business of inadequate educational preparation, and I think that is a responsibility that we all have to gather on to see that they are prepared to go into the job market and stay there, regardless of whether it is through the college training arrangement or whether it is through vocational education or the other programs that we have had to use to deal with people who did not deal with that.

I think there is also the business of the lack of understanding of the work place norms and expectations. I think it is important that we communicate those things to the people who are going into the job market. That is the reason why I was specific this morning in discussing the particular program we have in Delaware, and that is the jobs for Delaware graduates program.

We do have a cooperative effort with business, industry, labor, and all aspects of government and community organizations. The funding is through the Labor Department, the State funding source, and also private industry along with private foundations. So, it is an interesting concept.

But the main success story in this whole thing has been the fact that youngsters in the school setting have been dealt with in what we believe to be a specific way in helping to address some of the kinds of concerns that the people in the labor market are searching for.

So, we think that there are a lot of opportunities for improvement, but there are also some success models that are already out there to look at.

Dr. **Benton**. Just one personal comment on this issue. You might be interested that my youngest son has chosen not to go to a 4-year college. He is going to go into a Des Moines area community college this fall. I do not say that in bragging or anything else, but I think I was able as a parent to help him take a look at where he wanted to be, and just because I was in education and both his mother and I have degrees, that did not necessarily have to be the area in which he was going.

We considered that kind of a breakthrough because there had been considerable pressure with the two older children having gone the college route. As you say, that peer pressure starts to develop there.

Senator **Quayle**. OK. I thank both of you very much.

Mr. **Keene**. Thank you very much, Senator.

Senator **Quayle**. Next, from the great State of Indiana, Matt Dalton and Michael Mullett.

Welcome, friends. I was wondering when we were going to get to somebody from Indiana.

Mr. **Dalton**. There are some of us left, Senator.

Senator **Quayle**. Yes, there are a few of us.

I will say before you begin that I certainly appreciate your coming out here. I have worked with both of you in the past. I certainly commend the ideas that you have brought forth to me personally, and now I certainly appreciate your willingness to come forward at this time publicly to express some of those concerns and impart to this committee some of those ideas.

Of course, it is especially gratifying to have both of you, and particularly Matt, whom I have known for quite some time now, coming from the great town of Warsaw, Ind. Coming from Huntington, we are neighbors up there, and it is indeed a real privilege to have you on the other side of the table today, and I want the record to show that.

Go ahead and proceed.

STATEMENT OF MATT DALTON, CHAIRMAN, INDIANA GOVERNOR'S COMMITTEE ON YOUTH EMPLOYMENT, AND CHAIRMAN, DALTON FOUNDRIES, WARSAW, IND., ACCOMPANIED BY MICHAEL MULLETT, EXECUTIVE DIRECTOR, INDIANA GOVERNOR'S COMMITTEE ON YOUTH EMPLOYMENT

Mr. **Dalton**. Thank you, Senator. As I was listening to your questions and to the answers, I really was concerned and was having a hard time making a decision, so I will ask you to help me, sir.

I got up at 4 yesterday morning to rewrite this, and I want you to hear it.

Senator **Quayle**. Go ahead.

Mr. **Dalton**. But my verbal statement will be much shorter than the written because I want to leave more time for questions. Will you please ask me some philosophic questions, too, later?

Senator **Quayle**. All right. Go ahead.

Mr. **Dalton**. OK, and I will make this fast.

I am chairman of the Governor's Committee on Youth Employment for the State of Indiana. We have been in business for 1½ years, and we intend to go out of business 1½ years from now.

If you will look at the next-to-the-last page of what you have, you will see the makeup of our committee. If you will look at our executive summary, you will pull out the fact that our thrust is preventive rather than remedial.

During the next year and a half, we will be working with existing State agencies to redefine their goals and to attempt to bring about a reallocation of resources rather than throwing new money and new organizations at the problem.

One of those goals is to, over the next several years, increase cooperative education of high school juniors and seniors from 10,000 to 50,000, which is about one-third of those enrolled in high school. The reason for that is that we feel the most effective thing we can do is to teach kids while they are in school about the discipline of getting to work on time; the importance of a neat appearance; the fact that in order to continue to draw a paycheck with their boss' name on it, they have got to work for him.

Sometimes, getting fired is a learning experience, Senator. I have been fired, and I learned.

The vehicle to do this is already in place. It is called DECA or VICA or FFA or HERO—all acronyms for co-op—cooperative education; 4 hours of paid work, 2 hours of traditional subjects, and 1 hour of job-related, in school instruction, plus a very effective extracurricular motivational component.

Small businesses, where the owners take a real interest in the student, appear to be the ideal training slot for entry level jobs.

Now, why should the small business community—the heart of the private sector, which provides 80 percent of America's jobs—perform this role? For the good of the community? Because there will be an increasing shortage of 18-year-olds until 1992 and they should start lining up future employees now, or just because they are good guys?

When business is lousy, I will tell you, it is pretty hard to drain the swamp when you are up to your waist in alligators. So, how can we reach these small business people, and how can we motivate them—not the approximately 5,000 firms in Indiana who are already hiring co-ops, but the 20,000 more who we want to provide vocational education for entry level jobs—real vocational education based on the real world, and not a teacher's view of that world?

Attached, you will find a start; it is a small circular—it is orange and is on the outside of your paper—that our State Chamber was going to mail to all of the small businesses in the State to spark their interest. We had planned to follow that mailing with mailings to all co-op teachers to assist them in their recruiting of new employers, which takes place in August, and then during the school year to sponsor seminars in several communities, using the local chambers of commerce as conveners of co-op teachers, co-op students, and potential employers.

But to do this, we need to know by July 15, at the latest, that the targeted jobs tax credit will be extended for co-op students until at least the end of the fiscal year, because the incentive, the attention-getter, and the self-interest motivator is the targeted jobs tax credit. Without it, we are dead. We do not need its retroactivity provision, but we do need the TJTC.

I thank you very much for the opportunity to testify here today, Senator.

Senator QUAYLE. Thank you very much.

Let me ask you one basic question that we are dealing with in this committee, and perhaps from a philosophical point of view, you can help this committee answer it.

What is the proper role of the Federal Government in our training program? Specifically, you have dealt with the youth program, but I am looking at the whole concept of training and employment.

What should the proper balance be for the role of the Federal Government?

Mr. **Dalton**. No. 1. I think the Federal Government's role should be to encourage; the role of the Federal Government should be to provide funds where they can best be spent. I personally believe that that is at the State and local level.

No. 2, I personally believe in universal service; not necessarily the draft, but universal service. I believe that all young people—every young person when he gets out of high school or when he quits high school should be required to spend at least 1 year in the service of his country. This may be in hospitals; this may be in improving our ecology; this may be in national parks; this may be in the armed services.

I believe that the pay should be based on the market, and that internal market is what I mean. If we need more people in the Army than we do in the Park Service, why then the Army ought to pay more than the Park Service. I think that that would eliminate the old draft idea. I think it would eliminate the idea of the unfairness of some kids being able to afford to go to college and therefore being exempted. It just seems like a nice, clean idea.

Senator **Quayle**. Let me ask a followup question on that idea. It would be 1 year of service. Would it be right after high school?

Mr. **Dalton**. Yes, sir, or if somebody dropped out of high school, immediately then.

Senator **Quayle**. Would that be before one would go to college?

Mr. **Dalton**. Yes, sir.

Senator **Quayle**. So, in other words, the young people would not go right from high school to college; they would have to have at least that 1 year of service, and no exemptions?

Mr. **Dalton**. No exemptions whatsoever.

Senator **Quayle**. It would be mandatory for everyone?

Mr. **Dalton**. Yes, sir.

Senator **Quayle**. Would this, in your opinion, help the training aspect with young people by mandating a job at least for 1 year?

Mr. **Dalton**. I believe that, properly administered, it would. I think the armed services is an ideal training environment. I remember the CCC camps in the 1930's; they were ideal training environments. I remember both of my sons—I really wanted them to have 2 years in the Army upon graduation from high school. It is quite a maturing experience, too.

I think it is good for the kids; I think it is good for the country. I think it would give us what we need for public service.

Senator **Quayle**. Would this apply to young women and young men?

Mr. **Dalton**. Yes, sir.

Senator **Quayle**. That is an idea that has not been put forth before this committee. We have had about 20 hours of testimony and 70 or 80 witnesses.

Mr. **Dalton**. Well, you can always rely on me to come with a screwball idea. [Laughter.]

Senator **Quayle**. I know that, and I appreciate that and that is why I have always relied upon you in the past for ideas, and very constructive ones at that.

Let me shift gears here and ask you what is needed—you mentioned the targeted jobs tax credit—but what is needed to have better cooperation with the Government and business and industry, and particularly small business, in the training programs that we have?

Mr. **Dalton**. I believe these have to be sold to the private sector. I believe that the chambers of commerce across the United States are the best convenors. I can tell you, this targeted jobs tax credit—it took us 2 days to come with this simple little table. I am not bad at taxes myself, and I lost $100 to Mike Mullett in a bet that he had made a mistake on it.

Now, I am not saying that this is the worst set of tax regulations that was ever devised, but it sure confused this country boy, and I think it confuses a lot of others. So, first, it has to be made simple. I think we made it simple in a way that we can get it across to small business people.

The other thing that surprised us was to find that practically every small business person has his taxes made out by a public accountant. The TJTC does not bother public accountants at all, but that is retroactive; that is at the end of the year.

The testimony that TJTC was retroactive and a windfall, I believe, is essentially true because it was not sold, and it has to be sold.

Senator **Quayle**. Do you think part of the difficulty in selling TJTC is the complexity of the tax credit itself?

Mr. **Dalton**. If we did this in 2 days, my God, somebody in IRS should have been able to do it in 15 minutes and to publish it in 1978 when the TJTC was enacted.

Senator **Quayle**. You would be surprised at how progressive we are as far as putting things together like this.

Some of the criticism we have had of the targeted jobs tax credit is that, first of all, business, and particularly small business, does not know about it, and I certainly commend you and the chamber for putting this together.

Second, the way it is written and a lot of the rules and regulations that go along with it are very difficult for the businesses to understand. Now, you have tried to consolidate it into 2 pages, and it took you 2 days to come forward with that.

I would say that one of the criticisms that we have had of this is that it is too complex; that if we are going to do it, we ought to simplify it. So far, no one has really come forward with a simplified approach to the tax credit. Have you given any thought to how we could simplify it and make it easier and more accessible to the small business people in this country?

Mr. **Dalton**. Give us 3 months and we will give you a proposal, sir.

Senator **Quayle**. OK. Although the tax credit issue is coming up fairly soon, the administration has indicated its reluctance to go forward with it at this particular time. We certainly would be receptive to any kind of idea you would have.

Mr. DALTON. I do not know how many other States are getting ready to do the same thing we are, but if we do not know by July 15, we are going to be 1 year behind in reaching our goal.

Senator QUAYLE. You mentioned that in your testimony, and I made a note of that, to try to find out by July 15th where we are really going to go, so I can give not only you direction and input, but others around the country as well.

Let me ask one other question. On the CETA program itself, do you think that the system we have set up now, with the prime sponsors and subgrantees, which total an estimated 30,000 to 50,000 around the country—is that a workable, manageable system? Do we just need to improve upon the system or should we really be looking at radical surgery to the system itself?

Mr. DALTON. First, I think there is some good and some bad CETA organizations. Some of the people I heard today are obviously accomplishing things. I have seen some horror stories myself, and as a result, our committee has sort of backed off of CETA. We said, you know, "There is nothing we can do about this; let us work on the things that we can do something about that will bring about real, meaningful, and effective change."

Just speaking as a businessman, if I remember correctly, the balance of the State of Indiana was about $70 million when I went on board and when I first started talking to those people at the end of 1979.

You know, I look at a $70 million expenditure; that is like a business that has got $70 million in sales. You are supposed to, you know, accomplish something with that $70 million. And then they have to go out and hire all those people in 2 or 3 years and put an organization together and make it work; that is pretty hard to do in a $1 million business.

You know, you take and you throw money at things and you expect them to work. Things will not work without money, but money does not guarantee that they will work. It is people that make things work, and organizations that make things work. I just do not think you can blow up the balloon that fast and have an effective organization. Again, that is my personal philosophy.

Can I tell you how to build a watch when you are asking what time it is, sir?

Senator QUAYLE. Let me ask a question on your involvement on the Indiana Governor's Committee on Youth Employment. What has been the most successful approach that you have been able to use in getting more youth employed in the State of Indiana? Is there a particular approach that has been more successful than others?

Mr. DALTON. We do not take credit for it, but we believe co-op is the single best preventive program there is, without qualification. It saves resources with vocational training sites; the vocational training site is the employer. It is not the teacher's idea of what it means to hold a job; it is the employer's idea of what it means to hold a job.

The people before testified about jobs for Delaware graduates. We have studied that; we think that they have had great results. It is, in my opinion, the best remedial program I have seen.

The city of Indianapolis, through the Lilly Endowment and through the Corporate Community Council, is studying jobs for Delaware graduates and other plans. I believe that they are going to take a different approach and instead of super-imposing something on the schools, which is what jobs for Delaware graduates did, they are going to try to do it with the schools. It is going to be very interesting to see the comparison between the way the two work out.

Senator QUAYLE. But without hesitation, the co-op, which is the cooperation of the educational institutions with business and industry, have been by far the most successful vehicle for getting youth employed?

Mr. DALTON. Yes, sir, but it is only 10,000 kids out of about 150 to 170,000 juniors and seniors.

Senator QUAYLE. And, of course, that co-op relates to on-the-job training itself?

Mr. DALTON. Exactly.

Senator QUAYLE. They go to school part-time and work part-time, and when their education ends, they go to a full-time job.

Mr. DALTON. Yes.

Senator QUAYLE. That is very interesting because the prime sponsors, business and industry, even our educational witnesses have indicated that on the job training seems to be the most successful approach for youth.

We heard testimony from one group from South Carolina—a for-profit corporation, that only get paid when they got people on the job. Their sole service was providing on-the-job training. And they would not be paid for their training services until they had completed the training and the employer was satisfied and they were on the job.

This kind of OJT, I think, is something that we do need to emphasize because as far as the success ratio, it appears to have the most benefit.

Mr. DALTON. We are going to get the name of that outfit from your staff later, Senator.

Senator QUAYLE. OK. Thank you very much; I appreciate your coming. It is always a pleasure to be with you.

Mr. DALTON. May I say one more thing?

Senator QUAYLE. Sure.

Mr. DALTON. This is a very small example, but it bears on what you are talking about. In our little county, I am a county councilman. We have new home rule laws that passed the most recent legislature. All of a sudden, our county councilmen and our county commissioners are saying, "Hey, we have got to sit up and take notice; there is more responsibility on us now."

With the block grant program to the States, there will be more responsibility on State government now. And if there is a way that the elected officials are accountable to the electorate for the way they spend that money that comes back to the States without strings—if they can be made responsible to the electorate, it will work.

It will not work so well at first, but it will work a lot better than it has been working, sir.

Senator **Quayle**. That is refreshing to hear—the fact that a council member from Warsaw, Ind. could impart that information to this committee and to those people in Washington that are a little bit skeptical about the block grant concept. The precise intent of the block grant concept is to place that responsibility and decisionmaking apparatus at the local level.

Before, they looked to Washington for the guidance and the paternalism. Now, if they have the responsibility, they will sit up and, as you said, take notice; "it is ours; we are elected officials and we are accountable to the people."

Hopefully, in the spirit of cooperation and self-help and the neighborhood concept, we can not only reinvigorate governmental services, but we can reinvigorate some of the established institutions in our society that have suffered over these years.

Mr. **Dalton**. You have to remember that you have drained our money off, and with the money, you have drained a lot of the brains off. Now, we have got to get them back down where they belong.

Senator **Quayle**. We are going to take care of that in the tax cut bill, hopefully.

Mr. **Dalton**. All right

Senator **Quayle**. At least this Senator will.

Mr. **Dalton**. Maybe we will be able to pay our State employees more and get better State employees, then.

Senator **Quayle**. I hope so.

Thank you again.

Mr. **Dalton**. Thank you, Senator.

Senator **Quayle**. As usual and as expected, you were outstanding, and I would anticipate nothing less. You lived up to your fine reputation. Thank you very much.

[The prepared statement of Mr. Dalton with attachments follows:]

TESTIMONTY BY
MATT DALTON
CHAIRMAN
INDIANA GOVERNOR'S COMMITTEE
ON YOUTH EMPLOYMENT

BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT
AND PRODUCTIVITY
OF THE
SENATE LABOR AND HUMAN RESOURCES
COMMITTEE

JUNE 19, 1981

Mr. Chairman and Members of the Subcommittee, as Chairman of The Governor's Committee On Youth Employment for the state of Indiana, I would like to share my experience as a private sector participant in the design and implementation of employment and training policy for youth.

Attached to the copy of my remarks, with which you have been provided, is the Executive Summary and Preface of our Preliminary Report to our Governor. You will note that our thrust is preventive rather than rememdial and that is it based on local action.

The sterotype of the unemployed youth is the black drop-out. The fact is that 75% of unemployed youth are white and either in or graduated from high school.

The Committee during the next year and a half will work with existing State Agencies to redefine their goals and to bring about a reallocation of resources rather than throwing new money and new organizations at the problem.

For example, three goals that we are working on with our Department of Public Instruction are:

1. THE ACHIEVEMENT OF FUNCTIONAL COMPETENCY (READING, WRITING, ARITHMETIC AT THE EIGHTH GRADE LEVEL) OF 90% OF ENROLLED SIXTEEN YEAR OLDS.
2. OVER THE NEXT SEVERAL YEARS INCREASE COOPERATIVE EDUCATION OF HIGH SCHOOL JUNIORS AND SENIORS FROM 10,000[1] TO 50,000 (ABOUT A THIRD OF THOSE ENROLLED IN HIGH SCHOOL).
3. THE EXTENSION TO ALL HIGH SCHOOL GRADUATES OF THE SYSTEM PRESENTLY USED TO TRACK ONLY THE VOCATIONAL STUDENTS ONE YEAR AND FIVE YEARS AFTER GRADUATION TO DETERMINE WHAT THEY ARE DOING, HOW MUCH MONEY THEY ARE MAKING AND WHETHER THEIR TRAINING CONTRIBUTED TO THEIR EARNINGS.

WE FEEL THE MOST EFFECTIVE THING WE CAN DO IS TO TEACH KIDS WHILE THEY ARE IN SCHOOL ABOUT THE DISCIPLINE OF GETTING TO WORK ON TIME, THE IMPORTANCE OF A NEAT APPEARANCE, AND THE FACT THAT IN

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[1] DPI RECORDS INDICATE 8,438 CO-OP STUDENTS IN 1979 AND 7,335 IN 1980 BECAUSE OF THE MORE FAVORABLE REIMBURSEMENT FORMULA FOR NON-CO-OP VOCATIONAL STUDENTS, WE BELIEVE THESE FIGURES ARE UNDERSTATED AND THAT 10,000 IS AN ACCURATE ESTIMATE.

ORDER TO CONTINUE TO DRAW A PAYCHECK WITH THEIR BOSS'S NAME ON IT, THEY MUST PUT OUT (GETTING FIRED IS A LEARNING EXPERIENCE TOO).

AND THE VEHICLE TO DO THIS IS ALREADY IN PLACE. IT'S CALLED DECA OR VICA OR FFA OR HERO - ALL ACRONYMS FOR CO-OP - COOPERATIVE EDUCATION - (FOUR HOURS OF PAID WORK, TWO HOURS OF TRADITIONAL SUBJECTS AND ONE HOUR OF JOB-RELATED IN-SCHOOL INSTRUCTION PLUS A VERY EFFECTIVE EXTRA CURRICULAR MOTIVATIONAL COMPONENT).

SMALL BUSINESSES, WHERE THE OWNERS TAKE A REAL INTEREST IN THE STUDENT, APPEAR TO BE THE IDEAL TRAINING SLOTS FOR ENTRY LEVEL JOBS.

NOW WHY SHOULD THE SMALL BUSINESS COMMUNITY - THE HEART OF A PRIVATE SECTOR, WHICH PROVIDES 80% OF AMERICA'S JOBS - PERFORM THIS ROLE? FOR THE GOOD OF THEIR COMMUNITY? BECAUSE THERE WILL BE AN INCREASING SHORTAGE OF EIGHTEEN YEAR OLDS UNTIL 1992, AND THEY SHOULD START LINING UP FUTURE EMPLOYEES NOW? JUST BECAUSE THEY'RE GOOD GUYS? I'LL TELL YOU, IT'S PRETTY HARD TO WORRY ABOUT DRAINING THE SWAMP WHEN YOU'RE UP TO YOUR WAIST IN ALLIGATORS.

SO HOW CAN WE REACH THESE SAMLL BUSINESS PEOPLE - AND HOW CAN WE MOTIVATE THEM - NOT THE APPROXIMATELY 5,000 FIRMS IN INDIANA WHO ARE ALREADY HIRING CO-OPS, BUT THE 20,000 MORE WHO WE WANT TO PROVIDE

VOCATIONAL EDUCATION FOR ENTRY LEVEL JOBS (REAL VOCATIONAL EDUCATION BASED ON THE REAL WORLD - NOT A TEACHER'S VIEW OF THAT WORLD).

ATTACHED YOU WILL FIND A START - IT'S A SMALL CIRCULAR THAT OUR STATE CHAMBER WAS GOING TO MAIL TO ALL THE SMALL BUSINESSES IN THE STATE TO SPARK THEIR INTEREST.

WE HAD PLANNED TO FOLLOW THAT WITH MAILINGS TO ALL CO-OP TEACHERS TO ASSIST THEM IN THEIR RECRUITING OF NEW EMPLOYERS - WHICH TAKES PLACE IN AUGUST - AND THEN DURING THE SCHOOL YEAR TO SPONSOR SEMINARS IN SEVERAL COMMUNITIES USING THE LCOAL CHAMBERS OF COMMERCE AS CONVENORS OF CO-OP TEACHERS, CO-OP STUDENTS AND POTENTIAL EMPLOYERS.

BUT TO DO THIS, WE WOULD NEED TO KNOW BY JULY 15TH, AT THE LATEST, THAT THE TARGETED JOBS TAX CREDIT WILL BE EXTENDED FOR CO-OP STUDENTS UNTIL AT LEAST THE END OF THE FISCAL YEAR. BECAUSE THE INCENTIVE - THE ATTENTION GETTER - THE SELF-INTEREST MOTIVATOR - IS THE TARGETED JOBS TAX CREDIT. WITHOUT IT, WE ARE DEAD. WE DON'T NEED ITS RETROACTIVITY PROVISION, BUT WE DO NEED TJTC.

WE HOPE THAT SOMETHING YET CAN BE DONE TO SAVE THE CREDIT FOR CO-OPS SO WE CAN PROCEED WITH THE IMPLEMENTATION OF OUR STRATEGY HERE IN INDIANA. NATIONAL RESEARCH SHOWS THAT THE SCHOOL-TO-WORK

TRANSITION NEEDS TO BE MANAGED MORE EFFECTIVELY IF WE ARE TO AVERT HIGH LEVELS OF YOUTH UNEMPLOYMENT. FISCAL CONSTRAINTS AT ALL LEVELS OF GOVERNMENT DICTATE THAT PRIVATE SECTOR FACILITIES, EQUIPMENT AND STAFF BE UTILIZED TO THE MAXIMUM FOR VOCATIONAL TRAINING. CO-OPERATIVE EDUCATION, WE BELIEVE, IS AN EFFECTIVE WAY TO MEET BOTH OBJECTIVES.

IN CLOSING, I WOULD LIKE TO EXPRESS MY APPRECIATION TO YOU FOR INVITING ME HERE TODAY TO SHARE MY VIEWS ON YOUTH EMPLOYMENT AND THE TARGETED JOBS TAX CREDIT. IT HAS BEEN A PRIVILEGE AND A PLEASURE - THANK YOU.

FOR

Small business...

A HEAD START ON HIRING.

1. The number of quality graduates available for work directly out of high school keeps falling, while wage costs keep rising.

but

2. Small business owners can find good new employees at reasonable cost via Cooperative Education.

because

3. A special tax credit cuts wage costs by 50 percent in the Cooperative Education Program. For details, see inside leaflet.

COOPERATIVE EDUCATION

. . . LOOK FOR IT AT

YOUR LOCAL HIGH SCHOOL

HOW EMPLOYERS CAN FIND GOOD EMPLOYEES AND SAVE MONEY

You say it's difficult to find good, reliable employees? You say you can't afford to pay minimum wage for beginners? Here's an answer to both problems for those who are in small business.

Your high school Cooperative Education program supplies pre-screened, motivated student-trainees, gives them special training in related classroom instruction and carries a tax break to reduce after-tax labor cost by up to one-half. Most co-op students work 15-20 hours per week during the regular school year of 36 weeks. Compare co-op net cost to that of a regular part-time employee who receives $3.35 per hour working 20 hours per week for 36 weeks ($2,412).

After-tax cost of a regular part-time employee @ $3.35 per hour for 36 weeks.

YOUR TAX BRACKET	14%	17%	20%	25%	30%	35%	40%	46%	50%	55%	60%	65%	70%
NET LABOR COST	$2,074	2,002	1,930	1,809	1,688	1,568	1,447	1,302	1,206	1,085	965	844	724
NET HOURLY COST	$ 2.88	2.78	2.68	2.51	2.34	2.18	2.01	1.81	1.68	1.51	1.34	1.17	1.01

After-tax cost of a Cooperative Education worker @ $3.35 plus tax credit* for 36 weeks.

YOUR TAX BRACKET	14%	17%	20%	25%	30%	35%	40%	46%	50%	55%	60%	65%	70%
NET LABOR COST	$1037	1,001	965	905	844	784	724	651	603	543	483	422	362
NET HOURLY COST	$ 1.44	1.39	1.34	1.26	1.17	1.09	1.01	.91	.84	.76	.67	.59	.51

*In addition to qualifying employers for a tax credit, some co-op students may legally be employed at wages equal to 75% or 80% of the minimum wage. This can cut after-tax costs an additional 25%.

IF YOU CAN'T AFFORD A CO-OP STUDENT, YOU ARE OUT OF BUSINESS!

COOPERATIVE EDUCATION

Cooperative Education is a vocational program which combines related classroom instruction with a series of paid on-the-job learning experiences consistent with the student's career objective. The student attends school for part of each day and works on the job the remaining portion of the day and weekends.

Cooperative Education students, who are usually high-school seniors, receive academic credits for the on-the-job training as well as for the related in-school class.

These two experiences are planned and supervised by a specially trained teacher-coordinator in cooperation with the employer. Each experience contributes both to the student's education and to his/her employability.

There are two advantages for employers taking part in this program:

1. Cooperative Education sends them motivated students who are interested in their kind of business, and the employer gets a preliminary look at them before making a decision on full-time employment.
2. The employer can get a special tax credit which returns up to half the wage cost at the end of the year. This federal incentive program is called Targeted Jobs Tax Credit.

Firms hiring Cooperative Education students are eligible for Targeted Jobs Tax Credit reduction of payroll costs. The chart inside demonstrates the level of potential payroll savings.

ADDITIONAL INFORMATION
ON
COOPERATIVE EDUCATION

There are some 300 Cooperative Education programs in existence at high schools throughout the state. No employer is very far from a school having this kind of program.

To find out if a program is available in your area, call the nearest public high school and ask for the local director of vocational education.

If no programs exist in your immediate vicinity, call the superintendent of your school corporation or the area vocational director in your district and ask about establishing a Cooperative Education program.

Additional information can be secured from the Division of Vocational Education, Indiana Department of Public Instruction, Room 229, State House, Indianapolis 46204. Tel. 317/927-0257.

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Indiana State Chamber of Commerce
201 Board of Trade Building
Indianapolis, IN 46204

THE PRELIMINARY REPORT

OF

THE GOVERNOR'S COMMITTEE ON YOUTH EMPLOYMENT

Indianapolis, Indiana
September, 1980

EXECUTIVE SUMMARY
OF THE
PRELIMINARY REPORT OF THE GOVERNOR'S COMMITTEE ON YOUTH EMPLOYMENT

After nine months of initial research, the Governor's Committee on Youth Employment is firmly convinced that there is a youth employment problem in Indiana. This problem may be simply stated: fifteen to twenty percent of the state's population aged sixteen to twenty-five have a significant risk of experiencing a life-time of chronic unemployment or marginal employment. The percentage of youth at-risk is notably higher among non-whites, women and high school drop-outs. However, the vast majority of at-risk youth are white and either high school graduates or students.

This problem will persist despite the decline in the number of persons aged sixteen to twenty-five anticipated in the next decade. Indeed, the state could be faced by 1985 with both high youth unemployment and a shortage of qualified young people to fill entry-level jobs in its economy.

Many commendable efforts have already been initiated to address the problem. However, the Committee believes that further action is required by both the public and private sectors. The Committee believes that this action should be:

- Locally-managed and private sector-oriented
- Supported by a combination of local (public and private), state and federal funds
- Facilitated by changes in state and federal legislation and regulations

To mount the effort needed at the local level, the Committee believes no one institution has either the necessary capability or the requisite authority. Consequently, it is the Committee's recommendation that committees of concerned and influential local leaders from business, education, government and other institutions be formed to review the local problem and develop appropriate plans of action to solve it.

Because local circumstances are so varied, it is not possible for the Committee to recommend what specific actions should be taken in particular communities. This will, of necessity, be a local judgment. Nonetheless, the Committee believes that each community should review at least the following:

1. The status of its economic development efforts, particularly in terms of recent growth in the number and location of entry-level jobs in manufacturing, trade and services.
2. Residential housing and employment commuting patterns, particularly in terms of the impact of transportation availability and commuting time and costs on access to employment opportunities.
3. The experience of its non-college bound youth in making the school-to-work transition.
4. The scope and effectiveness of its school-to-work transition programs for non-college bound youth.
5. The experience of local employers in meeting affirmative action objectives, where applicable, and of the local human rights organization with complaints of racial and sexual discrimination in employment.
6. The experience of local law enforcement and welfare agencies with unemployed youth.

It is the Committee's belief that such a review conducted by the appropriate individuals in each community will readily identify major problems and suggest necessary courses of action in each community. Based on its limited experience to-date, the Committee also believes that many communities will discover major opportunities in the development of **comprehensive** school-to-work transition programs for those students not currently involved in vocational training and co-operative work-education programs. It is also the Committee's belief that most communities will find compelling reasons to expand significantly their co-operative work-education programs.

To test these beliefs, the Committee has assisted in the formation of local committees in two locations: the Muncie area (Delaware County) and the Warsaw area (Kosciusko County). The Committee is also working currently to establish local committees in two other areas: Marion County and Lake and Porter Counties. It hopes, early next year, to assist in the formation of a local committee in a rural area in the southern half of the state. At the expiration of the Committee's charter in 1982, the results of these pilot efforts will be known and made available in a final report by the Committee. An interim report will also be made next year.

The Committee believes that solutions to the problem of youth employment will be found primarily but not exclusively in local initiatives. Through changes in legislation and regulations, the state and federal governments can provide significant support to local efforts.

In its 1981 and 1982 reports, the Committee will recommend those changes in federal and, particularly, state policy that it believes would be most helpful to solving the problem.

September 1980

PREFACE

In December of 1979, Governor Otis R. Bowen, M.D., appointed a committee of distinguished citizens to investigate the problem of youth unemployment in the State of Indiana, and report its findings and recommendations. The establishment of the Governor's Commitee on Youth Employment was a direct result of Governor Bowen's concern that, while the state as a whole had recovered from the 1974-1975 recession, high rates of unemployment among young Hoosiers had persisted and, in some areas, even worsened. Recognizing that a number of different public and private institutions conducted activities affecting youth employment, Governor Bowen concluded that an in-depth study by a single independent group of knowledgeable individuals was necessary to the long-range solution of the total problem. In his charge to the Committee, the Governor requested, however, that the experience and expertise of existing agencies and organizations be utilized when and where practicable.

To chair the Committee, the Governor appointed Matt Dalton, Chairman of The Dalton Foundries, Inc., of Warsaw, Indiana. Joining Mr. Dalton as members of the Committee were the following Indiana business, professional, educational, and labor leaders:

Haron J. Battle, Ph.D.
Educational Consultant
Gary, Indiana

Thomas W. Binford
Chairman
Indiana National Corporation
Indianapolis, Indiana

James A. Henderson
President
Cummins Engine Company
Columbus, Indiana

Thomas H. Lake
Chairman and President
Lilly Endowment, Inc.
Indianapolis, Indiana

Frank P. Lloyd, M.D.
Vice President - Medical Research
Methodist Hospital
Indianapolis, Indiana

Joan B. McNagny
Chairman
Indiana Vocational Technical College
Fort Wayne, Indiana

Ian M. Rolland
Chairman
Lincoln National Corporation
Fort Wayne, Indiana

Gilman C. Stewart
Chairman
Stewart Seeds, Inc.
Greensburg, Indiana

Joseph Ullman, Ph.D.
Director, Public Policy and Public Administration
Purdue University
West Lafayette, Indiana

Max Wright
Secretary-Treasurer
Indiana State AFL-CIO
Greenwood, Indiana

In the nine months since its formation, the Committee has concentrated its initial efforts on answers to five basic questions:

1. What is the problem?
2. How large is the problem and how widespread is it across geographic areas and among population groups?
3. What are the principal causes of the problem?
4. What are the major consequences of the problem?
5. What additional actions, if any, need to be initiated to reduce or eliminate the problem?

In its initial efforts, the Committee has studied extensively national research, reports and recommendations on the problem of youth employment. It has also commissioned the Division of Research of the Indiana University School of Business to conduct research specific to Indiana. The Committee has also solicited information and opinions from numerous representatives of private organizations and governmental departments which are involved in some aspect of the youth employment problem.

Early in its deliberations, however, the Committee recognized that the problem varied too much from one geographic area to another for a broad analysis — let alone a single solution — to be applicable on a statewide basis. Consequently, it elected to focus initially on three urban areas where available research indicated particularly serious problems — Lake and Porter Counties in Northwest Indiana, Delaware County in East Central Indiana, and Marion County in Central Indiana.

In each of these initial study areas, the Committee conducted fact-finding and information-gathering activities in three separate steps. In the first step, the Committee became familiar with the youth employment problem in the area, local efforts to address it, and community perceptions with regard to its underlying causes, long-term effects and possible solutions. During the second step, the Committee reviewed its own initial findings, conclusions and observations with a relatively small group of local leaders knowledgeable about youth employment. The third step taken in each community involved the formal public presentation by the Committee — at a conference convened by the Governor — of its preliminary findings, conclusions and observations as modified in the light of local comments. These conferences were held June 4 in Gary, July 3 in Muncie and September 3 in Indianapolis.

This report is the result to-date of this process of research, review and revision. Not intended as a definitive or final statement, it is simply a preliminary report designed to highlight the problem, estimate its dimensions, identify its major causes and consequences, and suggest possible approaches for its partial solution. The Committee's learning process will continue as it receives better statistical data, reviews the reports and recommendations of other state and national organizations, and reconsiders its recommendations in the light of experience. Accordingly, the Committee will update its findings, review its conclusions and finalize its recommendations in two subsequent reports in the Fall of 1981 and the Fall of 1982.

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THE PROBLEM

The current youth employment situation, if left unattended, will result in a significant number of youth and young adults who will not contribute at all or only marginally to the productivity of our economy in the coming decade. In economic terms, the problem faced by the state is simply that the youth who do not receive appropriate job preparation and work experience today will not be productive adults tomorrow. In human terms, the problem faced by the state is that a significant number of its young people have a high risk of experiencing a life-time of chronic unemployment and marginal employment. Troubling enough in itself, this problem becomes even more disturbing with the realization that it persists despite the annual expenditure in the state of approximately $1.9 billion on elementary and secondary education; $950 million on post-secondary education; $32 million on compensatory education at the elementary and secondary level and $15 million on remedial employment and training programs for youth.[1]

Between 1980 and 1985, the number of youth between the ages of 16 and 19 in Indiana is projected to decline 18%. In the same period, the number of young adults ages 20 to 24 is expected to decrease by 4%. This population decline is expected to result in an accompanying decrease in the number of youth and young adults in the labor force. In fact, it is anticipated that there will be 40,000 fewer youth and 6,000 fewer young adults in the labor force in 1985 than there are in 1980. Similarly, it is likely that there will be 8,000 (or 20%) fewer high school graduates available for employment from the class of 1985 than there were from the class of 1979. This downward trend in both population and labor force is expected to continue through 1990 for persons aged 16 to 25. On the other hand, the overall unemployment rate in Indiana is expected to decline by 1985. Consequently, despite the current recession and high youth unemployment rate, Indiana may well experience, in historical terms, a relatively tight youth labor market by 1985.[2]

Thus, by 1985, the state could be confronted with the dual specter of both high youth unemployment and a shortage of employable young workers.

THE HIGH RISK POPULATION: ITS MAGNITUDE AND DISTRIBUTION

The total number of persons ages 16 to 25 in Indiana in 1980 is estimated to be 940,000. It is distributed demographically and geographically as follows:

Age — Approximately 47% are ages 16-19 and 53% are ages 20-24
Sex — Approximately 50% are male and 50% are female
Race — Approximately 90% are white and 10% are non-white, with 1.8% of all races being of Hispanic origin
School Status — Approximately 40-45% are high school and college students, 40-45% are not enrolled in school but have completed high school, and 10-15% are not enrolled in school and have not completed high school
Geographically — Approximately 57% are located in the 15 most urban counties (Marion, Lake, Allen, Vanderburgh, St. Joseph, Delaware, Madison, Vigo, Howard, Monroe, Tippecanoe, Elkhart, Wayne, LaPorte and Grant). Almost 90% of the black youth population is in just five counties (Marion, Lake, Allen, St. Joseph and Vanderburgh). Almost 60% of the Hispanic population is in virtually the same five counties (Marion, Lake, Allen, St. Joseph and Madison).[3]

Obviously, not all of these young people have a high-risk of chronic unemployment and marginal employment as adults. In fact, most youth have no major difficulties in making a successful transition into the adult labor market. Estimating the number of young people with serious problems requires both subjective judgments and statistical assumptions. Based on its research, however, the Committee believes 15-20% of the state's young people have significant current problems and 5-10% will have future difficulties of sufficient magnitude to warrant public concern and institutional response. This research would suggest, then, that between 140,000 and 180,000 young people are experiencing problems now and between 45,000 and 90,000 will have severe difficulties succeeding in the labor market as adults.

Among these high-risk young people, the following groups appear to be over-represented compared to their proportion of the youth population:

- Non-whites (20-25% of the high-risk population compared to 10% of the population aged 16 to 25)
- Teenagers (55-60% of the high-risk population compared to 47% of the population aged 16 to 25)
- Females (55-60% of the high-risk population compared to 50% of the population aged 16 to 25)
- High school drop-outs (25% of the high-risk population compared to 15% of the population aged 16 to 25)

Nonetheless, it is significant to note that the vast majority (75%) of high-risk young people in the state are white and that approximately half have graduated from high school.

Geographically, the high-risk population is numerically concentrated in the state's urban areas. An estimated 30% of the high-risk population (compared to 24% of the population aged 16 to 25) is found in two counties — Marion and Lake. Another 30% (compared to 30% of the youth population) is located in twelve other urban counties — Allen, St. Joseph, Elkhart, Delaware, Vanderburgh, LaPorte, Madison, Vigo, Grant, Howard, Wayne and Monroe. The remaining 40% (compared to 46% of the youth population) is distributed throughout the other 78 counties in the state, with no significant numerical concentrations but relatively high proportions notable in the southwest and southeast parts of the state.[4]

CAUSES

During the course of its preliminary research, the Committee has heard or read of many factors that could plausibly constitute reasons for the existence of the youth employment problem. Having evaluated each of these factors and their relationship to the problem, the Committee is convinced that no single factor is the cause. Rather, a number of factors combine to cause the problem. Without ranking them, the Committee believes the following factors to be particularly significant:

a. The growth in the number of employment opportunities has not kept pace in recent years with the increased numbers of young persons and adult women entering or reentering the labor market.
b. The geographic distribution of jobs in which young people are typically employed differs from the geographic distribution of the youth population — a difference which transportation does not bridge for many rural and inner-city youth.
c. Employer expectations regarding attitude, basic educational skills, and job-seeking and job-holding skills are not being met by a large percentage of youth entering the labor market.
d. For minority youth and females, discrimination and stereotyping still limit access to employment.
e. The public and private institutions (including the family) which have mutual interests in preventing or remedying the problem have heretofore failed to mount a comprehensive, coordinated and continuing effort to achieve those interests.

Each of these factors deserve explanation:

Supply/Demand Imbalance

Between 1970 and 1980, the number of young persons in the labor force increased approximately 55%. On the other hand, employment of young persons increased only 46% during this period. Similarly, the number of adult women in the labor force increased by about 35% during this period while their employment grew by approximately 33%. According to both national research and information from employers, the growth in employment for these groups was inhibited by both technological change and increases in the level and expansion of the coverage of the minimum wage.

During the 1980s, however, the Committee expects this trend to reverse itself dramatically. Labor force participation rates for both youth and adult women should level off and the youth population begin a marked decline (of approximately 25%) in 1980 that will continue into the 1990s. It should be noted, however, that this trend will not apply to minority youth — whose population will experience a slight increase through the early 1990's.

Geographic Mismatch

The recent trend of marked expansion of employment opportunities in the suburbs of major cities and smaller cities has been associated with slow growth, no growth or even reduction of such opportunities in inner cities and rural areas. For the young people remaining in these areas due to economic constraints, family relationships and/or educational attachments, this pattern has constituted a major obstacle to both part-time employment while in school and full-time employment upon leaving school.

The recent experience of the inner city of Indianapolis (excluding the "Mile Square") is illustrative of this problem. In the five years between 1972 and 1977, this area lost almost 5,600 jobs in those occupations in which 95% of young people are employed. This represented a 7% reduction in employment opportunities. During the same period, however, employment in these same occupations increased 42,000 (22%) in the balance of Marion County and 15,000 (33%) in the balance of the Indianapolis Standard Metropolitan Statistical Area.

As both national research and local interviews attest, this geographic mismatch between people and jobs has made transportation a major issue for many young people. The National Longitudinal Study, for example, indicates that 30% of all youth (and 43% of black males) perceive transportation as a barrier to employment. This study also suggests commuting time is a particularly significant factor in the employment of youth. For example, 85% of all employed youth and 92% of employed high school students have a commute of less than thirty minutes. Fifty-five percent of all employed youth and 78% of employed high school students are less than fifteen minutes from work.

Underlying this factor of geographic mismatch between people and jobs is, of course, a difference between business investment and residential housing patterns. This difference impacts most heavily on those who, due to economic and/or racial considerations, have limited housing options. Unfortunately, these are the same young people who are most in need of opportunities for employment.

Unmet Employer Expectations

Both national research and local data indicate that employers are particularly interested in five factors in evaluating prospective employees:

1. Prior work experience and record
2. Attitude (willingness to work, learn and comply with workplace norms)
3. Basic educational skills (reading, computing, communicating)
4. Job-seeking and job-holding skills (completing applications, taking tests, interviewing, attendance, disciplined workplace behavior)
5. Occupational skills (e.g. typing, welding, accounting)

The Committee's preliminary research also suggests that attitude, basic educational skills and job-seeking and job-holding skills are particularly significant in employer evaluations of younger applicants.

The Committee has found that employers contend that one-half or more of the youth who apply for employment do not meet employer expectations on one or more of these three factors. The Committee has also found, however, that educators do not share this perception, but instead believe employers generalize from isolated "horror stories."

It is the Committee's judgment that this difference of opinion results from employers and educators basing their perceptions on different groups of young people. To illustrate this point, national statistics developed by the Carnegie Council on Policy Studies in Higher Education and the Department of Labor are helpful. According to these statistics, of every 100 young people reaching high school graduation age:

- 39 will graduate from high school with the requisite competencies and go on to college
- 23 will graduate from high school with the requisite competencies but not go on to college
- 15 will graduate from high school without the requisite competencies
- 23 will not graduate from high school and are therefore without a certificate of requisite competencies[5]

Educators base their perceptions on the 77 who complete school — they do not take into consideration the 23 who have dropped out. Employers, on the other hand, base their perceptions on the 61 who do not go to college — they do not take into consideration the 39 headed for college. Thus, it is easy to see why employers and educators have different perceptions of the employability of young people:

Educators

$$\frac{\text{39 college bound graduates + 23 competent other graduates}}{\text{77 graduates}} = \text{80\% competent}$$

Employers

$$\frac{\text{23 dropouts + 15 non-competent graduates}}{\text{61 labor market entrants}} = \text{60\% non-competent}$$

In addition to providing an explanation for the different viewpoints of employers and educators, these statistics also suggest that employers are seeing significant numbers of young people who do not meet their expectations. A recent survey by the Administrative Management Society goes so far as to suggest that employer expectations are not even being met by significant numbers of high school graduates who are actually hired. Surveying a representative group of 280 employers regarding high school graduates hired for office clerical positions, the Society found three common deficiencies reported by employers:

1. Weak written and oral communications skills;
2. Lack of a firm concept of business and management functions; and
3. Poor work attitudes and habits[6]

Discrimination and Stereotyping

The National Longitudinal Study has reported that 21% of black youth and 18% of Hispanic youth (compared to 4% of white youth) perceive racial discrimination to be a barrier to employment. This perception grows stronger with age, particularly among blacks. For example, 28% of 20-22 year old blacks perceive discrimination as a barrier while only 15% of 16-17 year olds do so.

This perception is not without statistical justification. Measured rates of unemployment reflect pronounced racial disparities. Blacks, for example, typically have measured unemployment rates 2½ times those of whites, and the unemployment rate among black college graduates is the same as that of white high school drop-outs. But, as the National Longitudinal Study points out, measured unemployment is only the most visible indicator of relative deprivation among black and Hispanic youth.

	Whites	Blacks	Hispanics
Unemployment Rate	16.1%	38.8%	22.9%
Students	17.9	44.0	28.5
Nonstudents	14.4	33.9	16.7
Employment/Population Ratio	60.8%	39.8%	47.8%
Students	51.6	31.7	37.8
Nonstudents	72.6	50.0	57.9
Percent Upper Level White Collar or Craft Jobs			
Male	21.3%	13.5%	19.6%
Female	7.9	4.4	3.2
Mean Hourly Wages			
Male	$3.84	$3.57	$3.70
Female	3.07	3.24	3.22
Mean Number of Weeks Employed in 1978			
Male	31.9	21.1	26.2
Female	26.6	16.1	18.9
Percent with Two or More Spells of Nonemployment in 1978			
Male	31.7%	45.5%	33.3%
Female	31.0	42.8	37.0
Percent Laid Off Last Job			
Male	20.8%	28.4%	24.5%
Female	17.3	20.6	20.6

While national research suggests that these differences are in part explained by other factors (e.g. different distributions by age, sex, family income, educational attainment, place of residence), it also attributes as much as one-half of the difference in measured unemployment and one-third of the difference in earnings between whites and non-whites to racial discrimination.

The National Longitudinal Study has also reported that 14% of young women (compared to 5% of young men) consider sex discrimination a barrier to employment. Again, this perception increases with age — 11% of 16-17 year old women versus 15% of 20-22 year olds share it. This perception is not without statistical support, either. As the Vice President's Task Force on Youth Employment concluded, "By every measure, female teenagers with or without children face lower probabilities of employment than males." Female earnings have been traditionally and remain currently 60% of male earnings. As high as black youth unemployment rates are, black female youth unemployment rates are even higher. The principal factors most frequently cited for these disparities are child birth, child care and restricted occupational choice.

To put these two factors of racial discrimination and sexual stereotyping in perspective, national research suggests that racial disparities in the employment experience of youth have been consistently growing worse over the last 15 years, while sexual disparities have either remained constant or shown improvement. It should also be mentioned that both black and female youth perceive age discrimination as more of a barrier to employment than either race or sex discrimination.[7]

Institutional Response

Throughout the course of its initial investigation, the Committee has been impressed by the concern and commitment expressed by individuals interviewed about the problem of youth employment. This has been true whether the individual has been an employer, a government official, an educator, an agency administrator or simply a concerned citizen. Yet, the Committee has also been struck by the apparent lack of communication among these individuals about the problem, and the failure of their institutions to mount a concerned, coordinated, comprehensive and continuous attack on the problem. Moreover, the individuals interviewed representing all the affected institutions also seem frustrated by this factor. Predictably, this frustration is often directed at another institution. Government officials and administrators emphasize the need for private sector involvement and cooperation between educators and employers. Employers complain of government regulations and the failure of the schools to educate youth in "the basics." Educators stress the need for more funds from government and more training slots and public support from employers. All decry the disintegration of the family and the indifference of young people.

Yet, the fact remains that everyone — youth, parents, educators, employers and government officials and administrators — has a mutual interest in solving the problem. Young people need the income, social approval and self-esteem that are associated with gainful employment. Parents want their children to succeed in the labor market and derive the benefits associated with such success. The schools exist primarily to prepare young people for the responsibilities of adulthood. Employers need productive entry-level employees to meet their manpower needs and will have an increasingly hard time finding them in the decade ahead. Government officials must deal with all the problems attendant to youth unemployment and the public frustration that comes when those problems seem to grow worse despite increased expenditures of public funds.

If we have mutual commitments and mutual interests among all these groups, why do we lack the comprehensive effort we need to solve the problem? The Committee believes it is precisely because so many different individuals and institutions are involved, and youth employment is only one of many problems for each of those individuals and institutions. It is a problem for which no one individual and no one institution has or, for that matter, ever will have complete responsibility. As such, it presents the difficult challenge of coordinating efforts across rather than through major institutions. Committee members and staff will attest from their own experience to the complexity and difficulty of such efforts — even with a broad charter and active support from the state's chief elected official.

CONSEQUENCES

The most obvious consequence of the youth employment problem is personal hardship, both present and future, to those affected by it. Income is reduced, social standing impaired, and self-esteem undermined by unemployment. These results, in turn, affect negatively physical and mental health.

The effects of youth unemployment are not limited to the individuals affected. The frustration and idle time generated by unemployment are directed outward into aggressive and criminal behavior of all types. The Committee was informed, for example, that in one relatively rural county in the state, 48% of the arrests in the first six months of 1980 were of persons aged 24 or under and 53% of these involved youth who were unemployed. National research shows significant statistical relationships between unemployment and virtually every category of crime committed by youth against persons and property.

These direct effects, in turn, generate tangible social costs in terms of a more costly criminal justice system, expanded need for social services, more expensive income maintenance programs, and disruptions in community life and economic activity due to reduced public safety and perceptions of reduced public safety. The Committee estimates, for example, that unemployment among youth increased state expenditures for unemployment compensation last year by approximately $20 million. The frustration of unemployment, particularly if coupled with perceptions of discrimination as the cause, also produces social alienation and racial polarization. As Secretary of Labor, Ray Marshall, characterized it:

> The despair and hopelessness provided by youth unemployment can damage the social fabric. The credibility of any society depends in part on its ability to provide meaningful work for those willing to work. For those entering the job market, an inability to find work tends to weaken the credibility of that society.

Another consequence of significance is reduced economic productivity, both short and long-term. Young people without employment fail to produce products or services that could benefit the economy as a whole. For example, the Committee estimates that lost wages among unemployed youth during 1980 will amount to between $300 and $600 million in this state alone. This, of course, is equally true of unemployed adults. What distinguishes unemployed youth, however, is that the work attitudes and habits formed when first entering the labor market last a lifetime. So, an older worker with productive attitudes and habits already established will not lose them during a period of unemployment. A youth, on the other hand, may develop attitudes and habits while unemployed early in his working life that will limit his productivity throughout his career.

As mentioned earlier, this consequence could become particularly important in the next decade when the numbers of young workers entering the labor force will decline dramatically. Employers could well be faced with the necessity of hiring the untrained, undisciplined and unproductive young adults of tomorrow who are the unemployed teenagers of today, or watching both unfilled jobs and unemployed people go begging.

SUGGESTED APPROACHES

The Committee believes that solutions to the overall problem of youth employment will require continued and expanded action. The problem will not be solved simply because the youth population will decline 25% in the next decade. Indeed, as noted earlier, this decline could exacerbate the problem for employers without reducing it for young people if positive action is not taken to address its underlying causes.

The Committee recognizes that responsibility for the action required must rest in varying degrees at the federal, state and local levels. Nonetheless, the Committee is firmly convinced that primary responsibility for finding and implementing solutions must rest at the local level where the unemployed are people rather than statistics, jobs can be filled rather than merely counted, and coordination is personal as well as institutional.

The Committee also believes that the primary focus of additional action should be on the private sector. Approximately 80% of all employment opportunities are found in the private sector, and it will be this sector which will bear the brunt of the manpower productivity and availability problems the Committee foresees for the future.

Because the Committee has placed its emphasis and allocated its time primarily on local initiatives, its only definite recommendations at this time are local in orientation. Nonetheless, the Committee believes there is a significant federal and state role in the solution of the problem, and it will be developing in future reports specific recommendations for federal and state action. Considering the Committee's charter as a state-level organization, these recommendations will particularly focus on state-level actions. In the interim, the Committee suggests the following approaches:

LOCAL

To mount the comprehensive, coordinated and continuing effort needed at the local level, the Committee believes no one institution has either the necessary capability or the requisite authority. Consequently, it is the Committee's recommendation that committees of concerned and influential local leaders from business, education, government and other institutions be formed to review the local problem and develop appropriate plans of action to solve it.

Because local circumstances are so varied, it is not possible for the Committee to recommend what specific actions should be taken in particular communities. This will, of necessity, be a local judgment. Nonetheless, the Committee believes that each community should review at least the following:

1. The status of its economic development efforts, particularly in terms of recent growth in the number and location of entry-level jobs in manufacturing, trade and services.
2. Residential housing and employment commuting patterns, particularly in terms of the impact of transportation availability and commuting time and costs on access to employment oppotunities.
3. The experience of its non-college bound youth in making the school-to-work transition, particularly in terms of:
   a. the high school drop-out rate
   b. the participation rate in vocational programs
   c. the job placement rate of vocational program graduates
   d. the participation rate in cooperative work-education programs
   e. the job placement rates of graduates with co-op experience
   f. the job placement rates of drop-outs
   g. the job placement rates of graduates without vocational program or co-op experience
   h. the percentage of sophomores performing below the eighth grade level in reading, writing and arithmetic
   i. the percentage of employed graduates and drop-outs placed outside the local labor market
   j. all of the above for both sexes and, where two or more races are numerically significant, for all races
4. The scope and effectiveness of its school-to-work transition programs for non-college bound youth, particularly:
   a. vocational programs
   b. co-op programs
   c. other part-time work programs
   d. school-based placement programs for graduates and drop-outs
   e. career education programs
   f. remedial education programs
   g. career counseling programs
   h. job training programs for out-of-school youth
5. The experience of local employers in meeting affirmative action objectives, where applicable, and of the local human rights organization with complaints of racial and sexual discrimination in employment.
6. The experience of local law enforcement and welfare agencies with unemployed youth.

It is the Committee's belief that such a review conducted by the appropriate individuals in each community will readily identify major problems and suggest necessary courses of action. Based on its limited experience to-date, the Committee also believes that many communities will discover major opportunities in the development of comprehensive school-to-work transition programs for those students not currently involved in vocational training and co-operative education programs. It is also the Committee's belief that most communities will find compelling reasons to expand significantly their co-operative work-education programs.

To test these beliefs, the Committee has assisted in the formation of local committees in two locations: the Muncie area (Delaware County) and the Warsaw area (Kosciusko County). The Committee is also working currently to establish local committees in two other areas: Marion County and Lake and Porter Counties. It hopes, early next year, to assist in the formation of a committee in a rural area in the southern half of the state. These projects will be organizationally and financially autonomous of the Committee, with fiscal and program responsibility vested in either an existing agency such as a school corporation or a newly-formed private non-profit corporation. They will be directly accountable to their local boards of directors or governing program committees, with a financial and program reporting relationship to their respective funding sources. The Committee will, however, monitor progress and provide requested assistance in project design and evaluation. At the expiration of the Committee's charter in 1982, the results of these pilot efforts will be known and made available in a follow-up report by the Committee. An interim report will also be made next year.

STATE AND FEDERAL

To complement and support local initiatives, federal and state action is clearly required. Since the Committee has devoted its initial efforts primarily to the consideration of local problems and solutions, it has no comprehensive or final recommendations at this time on state and federal policies and programs. Nonetheless, its experience to date suggests consideration needs to be given to at least the following:

Federal policy and program issues

- The minimum wage as applied to youth, particularly those in training and/or under 21
- CETA eligibility requirements, program structure and administrative regulations
- Financial incentives to employers significant to their investment, location and hiring decisions
- National service obligations and opportunities for youth
- The relative importance assigned by funding levels to vocational education, remedial education, career education and co-operative education

State policy and program issues

- The strength and diversity of the state's economic base, especially its dependence on cyclical and/or threatened industries
- Assignments of institutional responsibility for various components of the school-to-work transition to multiple agencies and the coordination of funding and programs by those agencies (e.g. Commission on General Education, Indiana Employment Security Division, Indiana Office of Occupational Development, and State Board of Vocational and Technical Education)
- Continuing to strengthen the emphasis in elementary and secondary schools on the achievement of functional competency in the basic skills, with an objective that 90% of enrolled students demonstrate at least eighth-grade level proficiency by age 16

During the next year, the Committee will be reviewing in depth the recommendations of the Vice President's Task Force on Youth Employment, The National Commission on Employment Policy, The Carnegie Council on Policy Studies in Higher Education and others as far as national policies and programs are concerned. It will also be considering the recommendations of the affected state agencies as far as state policies are concerned. The results of these reviews will be included in the Committee's 1981 Report and updated in its 1982 Report.

SOURCES

[1] Cost estimates supplied by the Department of Public Instruction, Commission on Higher Education, and Office of Occupational Development.

[2] Population, labor force and high school graduate projections calculated from published and unpublished statistics supplied by the Employment Security Division, the Department of Public Instruction, and the Division of Research of the Indiana University School of Business.

[3] Total population and age, race and sex distributions from Indiana Annual Planning Information, FY-1980, published by Employment Security Division in May 1979.

School status distributions calculated from national data in "Students, Graduates and Dropouts in the Labor Market, October 1978," published by the U.S. Bureau of Labor Statistics in October 1979.

Geographic distributions calculated from unpublished statistics supplied by the Division of Research of the Indiana University School of Business.

[4] Estimates of the magnitude and the distribution of the high-risk population have been independently calculated by Committee staff and the Division of Research of the Indiana University School of Business. While different methods of calculation were employed, the two sets of estimates yielded remarkably similar conclusions. Both sets of estimates involved the interpretation of national research findings in the light of available state and local data. These estimates will be refined as the Committee proceeds with its work.

[5] Data from Giving Youth a Better Chance published by the Carnegie Council on Policy Studies in Higher Education in December 1979 and "Students, Graduates and Dropouts in the Labor Market, October 1978," published by the U.S. Bureau of Labor Statistics in October 1979.

[6] "Committee of 500 Report: Employment of Students in the Office," Management World, June 1980.

[7] The statistics on racial and sexual disparities and perceptions of discrimination are from Pathways to the Future: A Longitudinal Study of Young Americans, Preliminary Report: Youth and the Labor Market — 1979, published by the Center for Human Resource Research of Ohio State University in January 1980.

The attribution of disparities in unemployment and earnings to discrimination is found in two articles in A Review of Youth Employment Problems, Programs and Policies: Special Needs and Concentrated Problems, published by the Vice President's Task Force on Youth Employment in January 1980. These two articles are "Discrimination and Minority Youth Employment," by Robert B. Hill, and "The Employment Problems of Black Youth: A Review of the Evidence and Some Policy Suggestions," by Paul Osterman.

Senator QUAYLE. Next, we have a panel of Norm Gershon, Michael Wilt, and Paul Clancey.

Who do we have where?

Mr. GERSHON. Norm Gershon right here.

Senator QUAYLE. Who is in the center?

Mr. WILT. Michael Wilt.

Senator QUAYLE. And you are Mr. Clancey, right?

Mr. CLANCEY. Yes, sir.

Senator QUAYLE. OK. Mr. Gershon, go ahead.

STATEMENT OF NORMAN GERSHON, ADMINISTRATOR, UMPQUA TRAINING AND EMPLOYMENT PROGRAM, INC., ROSEBURG, OREG.; MICHAEL J. WILT, MANPOWER ADMINISTRATOR, LYCOMING-CLINTON CONSORTIUM, LYCOMING COUNTY, PA.; AND PAUL J. CLANCEY, JR., DIRECTOR, PENINSULA OFFICE OF MANPOWER PROGRAMS, HAMPTON, VA., A PANEL

Mr. GERSHON. Good morning, Senator.

Senator QUAYLE. Good morning.

Mr. GERSHON. My name is Norman Gershon and I am administrator of the Umpqua Training and Employment Program, Inc., or UTEP, located in Roseburg, Oreg., and serving Douglas County.

The invitation to testify today came as a shock to me and the board of directors. We have been frustrated because no one seems to listen to us, even though we are on the frontlines of CETA service delivery.

We appreciate the concerns of this subcommittee, as outlined in the notice of hearing, and we would like to speak to the issues of reasonable balance between protection of Federal funds and local autonomy, and between achieving Federal policy objectives and local flexibility. We do not think such balance has been achieved.

CETA's effectiveness is in danger. Local autonomy must be recaptured; regulations must be reduced and simplified. Local operators must be relieved of punitive liability from procedural errors.

UTEP's volunteer board of directors spend hours and hours of their time reviewing and planning service delivery, overseeing operations, and setting funding priorities. But they labor under severe handicaps. The morass of conflicting regulations, bulletins, memorandums, and interpretations generated by the Department of Labor and prime sponsors who are attempting to protect themselves from liability is absurd.

CETA regulations reference 75 other laws, regulations, Executive orders, and OMB circulars, which in turn reference hundreds more. The CETA regulations, a fellow CETA director has said, are not only complex, but they are always subject to change, frequently unclear, often amended, and only occassionally clarified.

The regulations are not possible for a local operator to absorb, interpret or abide by. As these regulations have virtually stripped the operators of local control, they have at the same time increased their liability.

The Federal Government is driving the community-based organization out of business through punitive loss recovery standards, and thereby is in conflict with its own regulations which declare that community-based organizations are the preferred operators.

UTEP, we feel, represents the absolute intent and mandate of original CETA philosophy. It is community based, controlled and directed by citizens who live and work in the community UTEP serves. Yet, we daily have to cope with the unwillingness of the Department of Labor prime sponsor hierarchy to grant us operational automony.

We are handicapped by the multilayered diffusion of authority with which we have to deal on every decision, and I hope you will reference our written testimony for an example of the hardship that it has caused our organization and our community.

We are not asking for operational freedom without responsibility. UTEP undergoes yearly fiscal audits by independent accounting firms and exhaustive periodic inspection by the prime sponsor's independent monitoring unit. Corrective action procedures are sometimes required, and they are imlemented.

But the Department of Labor has set a difficult task for its operators—perfection. There is no provision for human error, and CETA is the only Federal program that requires perfection from its operators.

A recent audit or ours which covered $1.2 million in expenditures exposed $1,200 in questioned costs. The $1,200 is in no way related to fraud and abuse, but resulted from procedural errors, misinterpretation, and the like. Our private, nonprofit, volunteer board members will have to find a way to raise this one one-thousandths percentage error to pay back the Federal Government for our human frailties. I think this is essentially unfair and is destroying local participation.

We feel community-based organizations should be protected from the pecuniary whims of the CETA bureaucracy. Otherwise, all programing and decisionmaking will soon rest with the bureaucrats and virtually stunt or eliminate any and all local involvement.

If I can just go on a little further, it would be unfortunate if CETA were to become imposed on local communities, in disregard for local needs, opportunities, and expectations. It will not work, and it need not happen. Local autonomy, with all its advantages in terms of community support for Federal objectives, can be preserved by involving community-based organizations in preparing clear and concise regulations.

[The prepared statement of Mr. Gershon follows:]

utep
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My name is Norman Gershon, administrator of the Umpqua Training and Employment Program, Inc., in Roseburg, Oregon.

I am here to discuss three areas relating to employment and training programs which I feel are vital to the future effectiveness of those programs.

They are:

1. The preservation of local autonomy;
2. Reduction and simplification of regulations; and
3. Relief from punitive liability in cases other than fraud and abuse.

CETA was to be a decentralized program. The regulations (676.23(c)) stated special consideration was to be given to programs operated by community based organizations. Now, years later, we daily have to cope with the unwillingness of the Department of Labor/Prime Sponsor hierarchy to grant CBO's operational autonomy. The current bureaucratic philosophy and policy effectively nullifies the regulation's intent.

CETA regulations are confusing and conflicting. Instances of proven fraud and abuse have led not to clearer regulations, but to an avalanche of additional regulations. They are all but impossible for a program operator to absorb, interpret or abide by. There are enough pages of regulations, memorandums, bulletins and policy statements to stretch from Roseburg to the Rose Garden!

CETA has set a difficult task for its operators - human perfection. The liability a CBO incurs is beyond reasonable expectation. The Federal Government is driving the small, locally controlled programs out of business through punitive loss recovery standards.

The CETA program I represent is in Douglas County, southwestern Oregon, a county of 98,000 persons whose economic base is the timber industry.

In Douglas County, comprehensive CETA services are administered through a unique structure---a private, non-profit corporation which is locally directed and controlled. Umpqua Training and Employment Program (UTEP) contracts directly with the State of Oregon, the Prime Sponsor of balance of state programs, to provide CETA services to youth and adults, through Title IV, II-B, II-D and VI.

UTEP is the only such Oregon CETA operator, and probably a rarity in the total national CETA structure. All other programs in this state, large and small, are administered by counties or consortiums of counties, except for one balance of state group operated by a private, for profit group---RCA Corp.

In 1975, the three Douglas County Commissioners helped form this corporation when the local Employment Division office relinquished CETA operations. The Commissioners believed, then and now, that CETA should be provided to this community through an independent, community agency, and not become part of the county's political process. They felt, and we continue to agree, that training, jobs and education are the responsibility of the citizens of this county, and that the expenditure of federal funds should be directed by the community.

UTEP is directed by a 12-member board of volunteers who represent several geographical areas, several occupations and widely varying philosophical views in regard to services to the poor, unskilled and undereducated. (Attached is a roster of our current board).

Our corporation has grown over the past six years to a 1980-81 budget of almost $4,000,000, offering CETA, Department of Energy and Community Services Administration programming. At the close of this Federal fiscal year, UTEP will have provided employment, training, weatherization or energy relief services to more than 2,000 people.

Approximately 25 percent of our county population is eligible for one or more of our programs. The April, 1981, unemployment rate, according to the Oregon Employment Division was 14.7 percent, compared to the Oregon statewide average of 9.6 percent.

Douglas County relies on trees. Our economic base is the timber industry. As you know, the housing market is practically at a standstill. UTEP is straining to accommodate as many of the resulting unemployed as our funding will allow.

We are doing a good job of meeting immediate training and retraining needs; of helping low income kids get some work experience and seeing to it that all our enrollees who are dropouts complete their GED's before progressing in our programs.

We have instituted some extremely creative methods and techniques for our clients who are competing in a fiercely competitive job market. We are involved in local economic development efforts to nurture new industry and to include our trainees in current employment expansion planning.

But we labor under severe handicaps.

We are handicapped by the morass of conflicting regulations, bulletins, memorandums and inconsistent interpretations generated by the CETA bureaucracy.

We are handicapped by the multi-layered diffusion of authority with which we have to deal on EVERY DECISION.

UTEP represents the absolute intent and mandate of original CETA philosophy---it is a community based organization controlled and directed by representatives of the community.

Our volunteer directors spend hours and hours of their time in reviewing and planning UTEP's efforts, over-seeing our operations and setting priorities for funding and directing our county-wide outreach to the disadvantaged. In other words... they know CETA and they know Douglas County. They take the responsibility to administer CETA here very seriously.

EXAMPLE: In the fall of 1979, UTEP's board spent hundreds of hours pouring over Title II-D and VI requests for projects and positions funding from our $2 million PSE budget.

We refused funding to groups who ranked at the bottom end of our criteria scale for various reasons, primarily poor track records with previous CETA funds or comparatively small service output as compared to other groups applying.

We refused one agency operating a group home for the handicapped/retarded. The decision was made as the result of documented knowledge of the inadequacies of that agency. (The Oregon Mental Health Division had refused increased funding because of the agency's inability to meet state and federal requirements; the Douglas County social services department refused further funding because the agency would not cooperate with local program standards; the director had been exposed as fraudulently claiming a Ph.D in psychology from a university he'd only briefly attended.)

Our decision was overturned by the Prime Sponsor, who publicly labeled us as irresponsible in our decision-making and warned UTEP "to get its act together". UTEP went through months of vituperative harassment from the Prime Sponsor, from the hearings officer and from uninformed but volatile members of the community.

After 11 months, and appeals to every level, our community based organization - UTEP - was upheld in its original decision. The Regional Office of the Department of Labor verified our good judgement, but the cost to us in community relations and organizational stress was immeasureable.

EXAMPLE: UTEP directors voluntarily decided to undergo a comprehensive program monitoring survey by a professional organization recommended to us by the Regional DOL Office. Verbal approval of the plan and the resulting expenditure - sought to assist UTEP in being even more effective in providing service to this county - was given to our directors by Prime Sponsor representatives.

AFTER the survey was completed, after the results were assimilated by our board and staff, after the recommendations had been implemented, then the Prime Sponsor refused to honor our contract with the consultants. UTEP had not gotten "written prior approval", and if we paid our bill, we would face an audit exception of such magnitude that our corporation would be effectively quashed!

EXAMPLE: Douglas County has almost no light industry or manufacturing firms. One recent addition to the county was the move here by a small firm that makes outdoor and backpacking equipment and accessories.

UTEP was approached by Mr. Tony Kuhn, director of the Coos, Curry, Douglas Economic Improvement Association (CCDEIA) to assist in providing immediate employees for the firm.

Through cooperation and coordination with the firm and the CCDEIA, UTEP placed nine sewing machine operators and a bookkeeper on the job in only a few weeks. We developed a plan with the local community college to provide intensive industrial sewing and production training and

> were looking toward placement of up to 35 persons in the firm within three to four months.
>
> Suddenly, we had to call a halt to this project -- CETA regulations prohibit training people as sewing machine operators for apparel manufacturers, even though the firm in question is not primarily a manufacturer of clothing.
>
> After months of inquiries to the Prime Sponsor and the Regional Department of Labor, we were told to proceed in the project because the firm is not primarily in the garment business. However, we may face an audit exception because we began the project without seeking prior approval (even though it was finally adjudged that prior approval had not been needed.) We are confused.

These examples illustrate our frustration with CETA, and the types of handicaps we live with every day. We are frustrated that no one seems to listen to us, even though we are on the front line of CETA service delivery.

For more effective management of CETA, DOL should rely on the local knowledge and expertise of the CBO. The regulations should be made to work for us and not against us. The regulations and their interpreters should understand that Douglas County, Oregon, is not Chicago, or Atlanta or New York, and that some new flexibility in administering the program throughout this country is necessary.

UTEP undergoes yearly fiscal audits and exhaustive investigation by the Prime Sponsor's Independent Monitoring Unit. We are held accountable for our program actions. We are not irresponsible, nor do we fraudulently or abusively spend our funds.

CETA is the only federal program that requires perfection from its operators. There is no provision for human error. One of our recent audits, which covered $1.2 million in expenditures, exposed $1200 in questioned costs (not fraud or abuse, just mistakes in assigning the right client to the wrong title). Our private, non-profit board will have to find a way to raise this 1/1000th percentage error to pay back the federal government for our human frailties.

We think that is more destructive to CETA and to this country and our clients than our $1200 mistake.

We feel CBO's such as UTEP should be protected from the pecuniary whims of the CETA bureaucracy. Otherwise, all programming and decision-making will soon rest with the bureaucrats, and virtually stunt or eliminate any and all local involvement.

We know federally directed programs imposed on rural areas nearly always result in complete disregard for local needs, opportunities and expectations.

This community does not want that kind of CETA, and neither should you.

Thank you for this opportunity.

UMPQUA TRAINING & EMPLOYMENT PROGRAM INC.

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Revised 06/15/81

Senator QUAYLE. Thank you very much.

Mr. Wilt.

Mr. WILT. My name is Michael Wilt. I am the CETA director for the Lycoming-Clinton Consortium in Pennsylvania. This consortium is a rural prime sponsor located in the north central part of the State.

Those of us who have been with CETA since the beginning shake our heads in wonder as we begin another transformation of this program. As a CETA director, a fair amount of my time is spent trying to figure out the latest congressional intent.

If I might excerpt a statement made by yourself on March 27 during discussions on the youth bills:

> One of the major troubles with past employment programs has been that the federal government constantly changes the signals it sends to state and local governments.

These changes try the patience of the most experienced administrators.

For example, just last week, Congress adopted additional cuts in funding for CETA during this fiscal year. Here we are, almost 9 months into the fiscal year, and changes are still being made to our allocation levels. How can one expect meaningful planning when funding levels are still changing?

When CETA is reauthorized for fiscal year 1983, we would like to see forward funding for at least 1 full fiscal year at a time. Fund us, let us run the programs, and then evaluate us, but do not change our directions and priorities 9 months into the fiscal year. Build into the law that the funding is guaranteed; do not keep a sword hanging over us.

The Consortium has always prided itself on serving those most difficult to employ. During this fiscal year, 28 percent of our participants were on welfare, 16 percent were offenders, and 7 percent are handicapped. We get extremely frustrated when the Department of Labor criticizes our programs for not meeting a 40 percent entered employment rate in one title, while mandating us to serve those most difficult to employ.

If performance standards and mandated entered employment rates are enforced, we might just as well forget serving those most in need. As prime sponsors are mandated to have higher entered employment rates, it is obvious who will be cut out from service—those who are the least job-ready and therefore most in need.

If the new CETA mandates us to serve those most in need, we will, but then do not make it impossible to comply with unrealistic performance standards.

We notice that one of your interests in holding these hearings is to discover the most effective program designs or models throughout the country. In our area, we have embarked on an experiment which we feel will work. As of April 1 of this year, we made a decision to look at the two large remaining programs in the CETA system, title II-B and VII, as having different functions within the same framework of CETA.

Our title II-B programs are of a work experience nature, with public and private nonprofit agencies. We can also formulate, plan, and conduct instructional programs under title II-B.

With the advent of title VII, the Consortium is now funding all OJT programs through the Private Industry Council. This systematic approach eliminates competition from within CETA and reduces the number of job developers besieging our local employers.

Now, when an OJT slot is developed, the CETA participants can be transferred from the program that they are on into title VII. At that point, the individual employer will deal solely with one representative from the Private Industry Council. We feel that this is a wise local decision you may wish to consider in the reauthorization.

We must stress that we fully support the concept of prime sponsorships and keeping the decisionmaking at the local level. However, it can only work when prime sponsors have full local decisionmaking power. Each year, we have noticed it slipping further and further away.

One of the most striking examples of this in our area is the Federal mandate under title II-B to maintain a 59 percent service level to youth. This unrealistic Federal restraint takes away an enormous amount of flexibility in planning at the local level.

We support one set of eligibility requirements for all programs under CETA. The amount of staff time, paperwork, recordkeeping requirements, reporting requirements, and management decisions concerning eligibility among the various titles is one of our largest problems today.

In the area of targeting, I stress again the importance of leaving this decision at the local level. We do not favor any national target groups; let the prime sponsor negotiate the service levels to specific groups, and let the regional offices of the Department of Labor approve them.

One final point to touch on is the ever-present problem of the audit and liability process that we must endure. The requirement that our local office account accurately for 100 percent of funds spent under CETA is an unrealistic task. Our Consortium has been audited for a period of 4 fiscal years, during which approximately $20 million has been expended on programs. We are fortunate in that zero dollars have had to be repaid to the Department of Labor.

It is beyond our conception how some non-CETA programs in our area can continually be mismanaged and then be refunded. CETA attracts adverse publicity in the press if one ineligible participant is found to have been enrolled. Grant officers must be afforded more flexibility so that the number of administrative law hearings are reduced.

One other point I would like to make is that we are mandated by the regulations to fund community based organizations. Yet, many of these have a difficult time accounting for funds the way the Department of Labor desires. However, the ultimate accountability remains with the prime sponsor. Demanding financial paybacks from all subagents may force valuable community groups into bankruptcy. Yet, the only alternative is holding the localities responsible. A certain percentage of human error must be allowed for our programs.

Thank you.

[The prepared statement of Mr. Wilt with attachment follows:]

Statement of:

Michael J. Wilt
Manpower Administrator

Lycoming-Clinton County CETA Program

Williamsport, PA 17701

Before the:

Senate Labor and Human Resources Committee

Sub-Committee on Employment and Productivity

June 19, 1981

For Release on Delivery

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Mr. Chairman and Members of the Committee:

I am pleased to testify today before this committee on the general subject of the Employment and Training system in the United States. Any discussion of this system must be viewed, of course, from the local perspective that I am familiar with, namely the management of Comprehensive Employment and Training Act programs in Lycoming and Clinton Counties, Pennsylvania. I have been associated with this program since its inception. I believe seven years with CETA exposes one to virtually every work and life situation, and at least qualifies me to present comments on this program.

Some background information on our area maybe helpful. The Lycoming-Clinton Consortium is a rural prime sponsor located in North Central Pennsylvania. Lycoming County has a population of 115,000 people and Clinton County approximately 35,000 people. The two counties have been joined in CETA programming since June, 1974. The area is categorized by several very large employers on which the economy of the two counties literally depends. One of the largest employers in the two-county area is Piper Aircraft Corporation (Lock Haven, PA), whose level of personnel fluctuates greatly depending on the current market for small engine aircraft. Another one of the largest industries is Avco Lycoming, a small engine manufacturer and chief supplier for Piper Aircraft.

As I begin, there is one thing I am sure we can all agree on. CETA in 1981 is not anything like it was in 1974. As we sit here today and discuss this creation, those of us who have been with CETA since the beginning cannot help but shake our heads in wonder at yet another transformation of this program. As a CETA Director, a fair amount of my time is spent in trying to figure out just exactly what is the latest Congressional intent for this program. If I might excerpt a statement made by Chairman Quayle on March 27 of this year during discussions of the Youth Bills: "one of the major troubles with past employment programs has been that the Federal government constantly changes the signals it sends to State and local governments." There cannot be a person in this room representing local or State government who cannot agree more with the above statement. The constant changes that have plagued the CETA system try the patience of the most experienced administrators. For example, just last week Congress adopted additional cuts in funding for CETA during this fiscal year. As I testify before you, our local prime sponsorship has not yet received any official information from the Department of Labor on the nature of these cuts. Here we are almost nine months into the fiscal year and changes are still being made to our allocation levels. How can you expect meaningful planning when you are still changing our funding levels at this stage in the fiscal year? We hear from the grapevine that fifty million dollars in cuts may come in the Youth Employment and Training Program. However, no one has told the primes how fifty million dollars will be recovered at this point in the fiscal year. The Department of Labor stresses more and better planning. When CETA is reauthorized for Fiscal Year 1983, this prime sponsor would like to see forward funding, for at least one full fiscal year at a time. Fund us, let us run programs, then evaluate us. But don't change our directions and priorities nine months into the fiscal year. Build into the law that funding is guaranteed, don't keep the sword hanging over us.

However, I would like to speak on a positive level; that is, as positive a level as you can speak from in an area of perennial double-digit unemployment levels in both counties. We realize CETA expires September 30, 1982 and that the replacement for CETA may once again be radically different from that system which was born in 1974; but we do have some major concerns about the scope of Employment and Training programs both locally and nationwide.

Should government become the employer of last resort? What should be the primary objective of Employment and Training programs? The Lycoming-Clinton Consortium has always prided itself on serving those most difficult to employ. During this fiscal year, 28% of our participants were on welfare, 16% were offenders, 7% were handicapped. We pride ourselves also on following the intent of Congress and the Administration in serving economically disadvantaged, unemployed and underemployed individuals. We get tired of constant press stories to the contrary on a nationwide and local level. We get extremely frustrated when the Department of Labor criticizes our programs for not meeting a 40% entered employment rate in one Title while mandating us to serve those most difficult to employ. The contradictions are everywhere; and CETA reauthorization must address itself to the basic issue of whom should we be serving? If performance standards and mandated entered employment rates are enforced, we might just as well forget serving those most in need. As prime sponsors are mandated to have higher entered employment rates, it is obvious who will be cut out from service: those who are the least job-ready and therefore most in need of service. If the new CETA mandates us to serve those most in need, we will, but then please don't make it impossible to comply with unrealistic performance standards and mandated entered employment rates. Let us continue to service those most in need.

We notice that one of your interests in holding these hearings is to discover the most effective program designs or models througout the country. The Lycoming-Clinton Consortium has embarked on an experiment which we feel will work but it is too early to evaluate the results. As of April 1, of this year, the Consortium has made the decision to look at the two remaining programs in the

CETA system, Titles II-B/C and VII, as having different purposes within the framework of CETA. The prime sponsor's Title II-B/C programs are of a work experience nature with public and private non-profit agencies. We can formulate, plan and conduct instructional programs with private training and educational institutions plus State and local agencies of higher education under Title II-B. With the advent of Title VII, the Consortium is now funding all OJT programs through the Private Industry Council, Inc. This systematic approach eliminates competition from within CETA and reduces the number of job developers beseiging our local employers. Now when an OJT slot is developed, the CETA participant can be transferred from the program that they are on into Title VII. At that point, the individual employer will deal solely with one representative from the Private Industry Council. This is being done, however, with the risk of incurring the wrath of the Department of Labor and Congress for a lower entered employment rate in II-B. But we feel this is a wise local decision that you may wish to consider in the reauthorization.

The Consortium believes the basic philosophy of CETA will remain, regardless of its name or titles. We must stress that we fully support the concept of prime sponsorships in keeping the decision-making at the local level. However, it can only work when prime sponsors have full local decision-making power. Each year we have noticed it slipping further and further away. One of the most striking examples of this in our area is a Federal mandate under Title II-B to maintain a 59% service level to youth (ages 16-21). This unrealistic Federal restraint takes away an enormous amount of flexibility in planning at the local level.

This year, roughly 75% of the participants on our public service employment programs were over the age of 21. With the elimination of public service employment under CETA, this percentage breakout will certainly shift to the remaining Titles of CETA next year. Being bound by the 59% level makes for very limited resources to our over 21 age population. In essence, Congress must leave the flexibility in CETA in order for it to work. Leave the decisions at the local level where they can be most effectively administered. One of the most important concerns today to prime sponsors is the erosion of local decision-making authority.

We support one set of eligibility requirements for all programs under CETA. The amount of staff time, paperwork, record-keeping requirements, reporting requirements, and management decisions concerning eligibility among the various Titles is one of our largest problems today. However, if there is uniform eligibility for CETA, what form should it take? Should it be for the traditional economically disadvantaged, long-term unemployed; or should it be for those who only need up-grading and retraining? Once again this leads to the general concept of whom the prime sponsor is supposed to be serving in the program. With our technological advances proceeding at an extremely rapid rate, many industries need the flexibility to upgrade their employees on a continual basis. Should CETA dollars be applied in this area? Or should we continue to work with the third generation welfare recipient and expend our efforts towards improving his work habits? This in our opinion is one of the critical issues facing the reauthorization of CETA.

In the area of targeting I stress again the importance of leaving this decision at the local level. We do not favor any national target groups. Let the prime sponsor negotiate service levels to specific groups and let the Regional Offices of the Department of Labor approve them. They should have the expertise to know when a prime sponsor's overall plan meets the needs of the areas in which it is located. One of the more absurd things that happened several years ago was the Department of Labor sending to our area 50 Equal Employment Opportunity posters printed in Spanish at a time when there was not one Spanish-speaking individual registered for employment services in either Lycoming or Clinton Counties. This is the problem you run into with national target groups and national mandates. We recommend that you steer clear of nationally mandated target groups during reauthorization and let that be a negotiated item between the prime sponsors and the Department of Labor. We would be interested in a program mix that addresses the lower spectrum of prospective participants to deal with the very basics of job readiness and job attendance, the medium spectrum where OJT and classroom training flexibility can be put into place, and the higher spectrum of training for those already employed to conduct upgrading and retraining. These are the types of National Office and Regional Office directives we're seeking.

The Lycoming-Clinton Consortium is not naive enough to expect the return of Public Service Employment to CETA. We realize it is gone. We believe this is a mistake on the part of Congress and the Reagan Administration. While it maybe too late to save Public Service Employment, the Lycoming-Clinton County areas needed these positions, and most importantly, the 110 agencies that we dealt with in our two counties needed these positions. The entered employment rates have been good; close to 50% in both Titles, remembering the eligibility requirements we are dealing with. It just does not make sense in our area to provide funds for people not to work when you could easily continue a public service employment program to pay people for working. We know the national viewpoint for the elimination of Public Service Employment. We wish, however, that it could remain an option in some areas for the provision of temporary public service jobs for funding under the prime sponsor's grant. It seems ironic that as PSE winds down nationwide, a social workfare bill is introduced. One of the major points of the bill would require States to provide able-bodied AFDC clients with public service work assignments. Participants would be obligated to fulfill these work assignments in return for cash welfare benefits. If Congress would dare consider a new Public Service Employment program, it should use the system that has proved it can work on a nationwide level and a local level. The instances of fraud and abuse which have been so heavily publicized, are in actuality so minimal in terms of total dollar amounts, that it seems ill-advised to create a new public service program independent of CETA. Perhaps one of the biggest insults to us this year was the reduction of money from our CETA program to help pay the cost of unemployment for laid-off CETA participants. While we recognize the need for having those participants covered by unemployment insurance, the absurdity of taking funds from an employment program to pay for unemployment compensation makes for one of the truly black marks in the history of CETA.

In the Lycoming-Clinton Consortium, we have a general Advisory Council, a Youth Advisory Council and a Private Industry Council. At its inception, the Private Industry Council made the decision to become incorporated; it meets approximately every six weeks, retains an accounting firm to manage its books and takes an active role in the distribution of any funds over $10,000 through Title VII. It does seem increasingly inappropriate to have three Advisory Councils working on one program. Future funding may make it impossible for prime sponsor staff to fully comply with these regulations. Having the Private Industry Council incorporated places an additional burden on the prime sponsor since the liability for funds still remains with the prime sponsor. Combining all Councils into one is a very feasible idea.

One final point I feel compelled to touch on is the ever-present problem of the audit and liability process that prime sponsors must endure. I have included several newspaper clippings in my package previously submitted to you which illustrates the problem to some degree. The requirement that our local office account accurately for 100% of funds spent under CETA is an unrealistic task. The Consortium has been audited for a period of four fiscal years, during which approximately 20 million dollars has been expended on programs. This was from the beginning of CETA through September 30, 1978. We are fortunate in that zero dollars have had to be repaid to the Department of Labor. It is beyond our conception how some non-CETA programs in our area can continually be mismanaged and then be refunded. CETA attracts adverse publicity in the local press when one ineligible participant is found to have been enrolled. The audit resolution system must be addressed in the CETA reauthorization. Grant Officers must be afforded more flexibility so the number of Administrative Law hearings are reduced. Also some flexibility must be given to prime sponsors who sub-grant 90% of their programs. We are mandated by the regulations to fund community based organizations, yet many of these have a difficult time accounting for funds the way the Department of Labor desires. However, the ultimate accountability remains with the prime sponsor.

Demanding financial paybacks from all sub-agents may force valuable community groups into bankruptcy. Yet the only alternative is holding the localities responsible. There must be some ease on the liability issue. If we are liable for the operation of CETA programs, then we must have the authority to delegate certain responsibilities. A certain percentage of human error must be allowed for our programs. Rules must be simplified and priortized and auditors should be well-versed in CETA.

I thank you for the opportunity to present some insight concerning the CETA program and hope that the reauthorization hearings will continue to involve people from the local community. In the included text, I have submitted various newspaper articles and statements dealing with the Lycoming-Clinton County area which specifically address local concerns affecting CETA operations. I would be happy to entertain any questions.

Articles are reprinted from:

The Wall Street Journel

The Williamsport (PA) Sun-Gazette

The Lock Haven (PA) Express

(Note: Due to mechanical limitations and in the interest of economy, the above newspaper articles were retained in the files of the committee.)

Provided as an additional attachment is a listing of those agencies within the two counties currently utilizing CETA workers.

Lycoming County

Lycoming County Redevelopment Authority

Lycoming County Landfill

Lycoming County Emergency Services

Lycoming County Prison

Lycoming County Children & Youth

Lycoming County Administration

Lycoming County Alternatives to Prison

Lycoming County Adult Probation

Lycoming County Lysock View

Lycoming County District Attorney

Lycoming County Maintenance

Lycoming County District Magistrate

Lycoming County Soil Conversation

Lycoming County La-Sa-Quik

Loyalsock Community Center

Lycoming County Veterans Affairs

Lycoming County Housing Authority

Lycoming County Recreation Authority

Lycoming County Public Defenders

Bethune Douglas Community Center

BLaST

J.V. Brown Library

Bureau of Vocational Rehabilitation

Chad/Tiadaghton

Hope Enterprises, Inc.

School of Hope

Lycoming Day Care Center

Lycoming County Board of Assistance

Lycoming United Way

Lycoming County

PA Department of Health

PA State Police

Symbrick Associates

Williamsport Area Community College

Williamsport Parking Authority

Y.W.C.A.

Allenwood Prison Camp

Williamsport School District

Jersey Shore School District

Loyalsock School District

Montgomery School District

Montoursville School District

Muncy School District

South Williamsport School District

East Lycoming School District

Duboistown Borough

Hughesville Borough

Jersey Shore Borough

Muncy Borough

South Williamsport Borough

Williamsport Hospital

Divine Providence Hospital

Jersey Shore Hospital

Valley Community Health Center

Montgomery Library

Williamsport Y.M.C.A.

Jersey Shore Y.M.C.A.

City of Williamsport

Williamsport Housing Authority

Lycoming County

Old Lycoming Township

Porter Township

Old Lycoming Township Police

STEP - Head Start

STEP - Office of Aging

STEP - Jersey Shore Day Care Center

STEP - Lock Haven Day Care Center

STEP - Outreach

STEP - Youth Programs

STEP - Weatherization

USDA Farm & Home

U.S. Navy Reserve Center

PA National Guard - Lycoming

American Heart Association

Jersey Shore Cemetery

Montoursville Cemetery

West Branch Drug/Alcohol

West Branch School Association

PA Department of Transportation

PA State Parks & Recreation

Social Security Office

Lycoming County Historical Museum

Boy Scouts - Lycoming County

State Game Commission

Susquehanna Legal Services

Kettle Creek State Park

Hyner State Park

Clinton County

Lock Haven Y.M.C.A.

Renovo Y.M.C.A.

Clinton County Housing Authority

Clinton County Coop

Keystone Central School District

Army Reserve - Clinton

Lock Haven Hospital

Renovo Hospital

Infant Development Program

Lock Haven State College

Bureau of Employment Security - Lock Haven

PA National Guard - Lock Haven

City of Lock Haven

Renovo Library

Clinton County Follow through Program

South Renovo Borough

Beech Creek Township

Chapman Township

Senator QUAYLE. Thank you, Mr. Wilt.

Mr. Clancey.

Mr. CLANCEY. Thank you, Senator.

My name is Paul Clancey. I am the Director of the Peninsula Office of Manpower Programs, a CETA prime sponsor consortium serving the Hampton-Newport News-Williamsburg area of southeastern Virginia. Rather than reading my 10-minute statement twice as fast, let me just emphasize a few major points.

Senator QUAYLE. I would appreciate that.

Mr. CLANCEY. Our system, I think, should be viewed as an economic system rather than a social service system. Far too often, we are burdened with what I believe is a mandate from the Congress and from the administration to redress what are purely social problems through what essentially started out to be an economic system.

We need to return, in the rewrite of CETA, to viewing our systems as economic in nature and attacking economic problems, such as unemployment and underemployment and nonparticipation in the labor market.

Second, I think we ought to focus especially on the needs of our youth. Investing in our kids today, I think, is a long-term investment that is going to pay a high rate of interest in 10 or 15 years when the technology of the times requires a much higher degree of specialization and skilled training.

Third, I think the programs should remain decentralized at the local labor market level. While the concept of block grants makes a great deal of sense in terms of management and administration, I think the logical recipients of those block grants ought to be organizations that are operating at the local labor market level, rather than at the State level. If we send them to the States, we are going to end up with yet another layer of bureaucracy in the programs in addition to that which exists, and the result can be exemplified perfectly by the employment security system.

Fourth, and I think more importantly than anything else, we ought to look at management in the rewrite. Our management is made extremely difficult by the changing priorities, the almost ridiculous regulations with which we have to contend, and the absolute uncertainty of funding from year to year, even at a time when our programs were not being viewed rather critically by the Office of Management and Budget.

But at the moment, let me give you one example, Senator, of what we have to contend with in terms of our funding levels. We have been told by our regional offices in the Department of Labor to submit a plan for fiscal year 1982 that thoroughly eliminates the youth programs. Yet we know full well that the reconciliation process which the Congress has gone through recently in all probability will end up with some money available for title IV programs.

That puts me in the position of having to write two plans—one which will phase them out, which I will file and duly submit to the feds; the second one, which I will keep in my back pocket to submit later, and hopefully will not lose my good staff when the money comes around and we have to start up all over again.

We are also virtually required by the regulations and the law to fund various kinds of groups in the community, almost without regard to quality. It is exceedingly difficult for a prime sponsor to make the kinds of decisions that in the private sector would be viewed as appropriate and sound management decisions in terms of eliminating or funding certain areas of their operations.

If we make what I would view as a sound management decision to eliminate an unsuccessful program, we have the potential of having grievances filed against us that can tie us up administratively for years.

I would also like to make a major point on the idea of consolidation of our programs. I think one of the things that we are having trouble with in the private sector is that we are appropriately viewed as a disjointed system.

Job developers from CETA, the Employment Service, the work incentive program, and a legion of other programs come around trying to get job commitments from a single employer, often for the same client. I think we need to examine very closely the possibility of combining CETA and the Employment Service and some of the other programs, including the work incentive program and vocational education, to be operated by local labor market programs under the direction of either private boards that are appointed by the local elected officials and the Governor, or under the direction of local elected officials.

I think, on the whole, though, the evidence is fairly clear that CETA as a strategy to employ people has worked. We have data from the continuous longitudinal manpower survey, Westat studies, and others, that show clearly that 40 to 50 percent of our clients get placed and that they enjoy significant increases in income.

What we need to have in our system is support for good management. We need to have a decentralized labor market structure and, of course, we need to have some money.

Thank you.

[The prepared statement of Mr. Clancey follows:]

TESTIMONY

OF

PAUL J. CLANCEY, JR., DIRECTOR

PENINSULA OFFICE OF MANPOWER PROGRAMS

JUNE 19, 1981

Mr. Chairman, Members of the Subcommittee, my name is Paul J. Clancey, Jr. I am the Director of the Peninsula Office of Manpower Programs--A CETA Prime Sponsor Consortium serving the six jurisdictions of the historic Virginia peninsula (Newport News, Hampton SMSA). I am grateful for the opportunity to present my views as part of your efforts to renew the employment and training system.

I will address several of the major issues identified as being of particular concern to the subcommittee--and which are of particular professional interest to me. Even though I have been involved with "Manpower" programs in a managerial capacity for more than ten years, I don't pretend to have all of the answers to the questions which must be addressed, but I do have a set of opinions, based on my experience and research. I hope they can be of use.

In terms of policy objectives for employment and training programs, it should be emphasized that the system we have created is basically an economic, rather than social service, delivery structure. However, I believe in many cases, we have been asked to use these programs to redress a host of social problems ranging from the rehabilitation of juvenile delinquents, through funding of otherwise nonviable Community Based Organizations, to the ill effects suffered by displaced homemakers. It has seemed to me on occasion that past congresses and administrations have responded to the pressure by interest groups simply by saying "Fine, your're absolutely right--we will make your group a priority for service under CETA, and your problem will be solved." Unfortunately when the problem remains, CETA is blamed.

In establishing a coherent employment and training policy for our nation, I believe that the focus should be primarily on the economic aspects of the problems of employment, underemployment, and non-participation in the labor market. This policy should attempt to produce a system to assist employers in finding capable workers for their vacant jobs; and to assist workers in becoming qualified for, and finding, those vacancies.

The unfortunate fact of the matter is, that for many people in this country, finding employment is virtually impossible because they have no skill, or they are functionally illiterate, or even because they simply don't know how to look for employment. Even more unfortunate, is the fact that employers cannot find qualified people for the thousands of jobs which go begging --which thereby reduces profitability and productivity. It is precisely this gap between jobs, and those who need jobs which our policy should seek to bridge. The achievement of this goal requires a system to provide a host of services--including remedial education, vocational assessment, skill training, on-the-job training, job search assistance, and support during all of the above through counseling, to help the job seekers. And it should provide the system with the tools required to assist employers: on-site training reimbursement, hiring incentives such as tax credits, and the ability to involve employers in the design and operation of the system, among others.

The question of whom this policy should seek to serve should also be answered in generally strict economic terms. If we accept the notion that the most valuable possession an individual can have is a job, then it makes sense to target our scarce resources at those who are jobless and at a competitive disadvantage in the labor market. Beyond this generalization, it should be the responsibility of the local decision makers to determine which demographic groups in the local labor market should be targeted for services. The characteristics of the unemployed in the Boston metropolitan labor market are significantly different than those in southern Virginia, or Provo Utah. The federal government's responsibility in this regard should be to determine, through its monitoring and oversight role, that the local decisions are logical and consistent with local needs.

An exception to this general rule, in my view, is the employment of youth. I am extremely concerned about the continuing productivity of our Nation in the mid-term future. We currently have millions of young people in their late teens and early twenties who have absolutely no conception about what it is to work. They are the youth in welfare families, in large cities where jobs are scarce even for adults, in rural areas where job opportunities may be virtually non-existent. And more importantly, they are youth who do not have the opportunity to learn about working during the summer because the ability of the private sector to create summer jobs is much more constrained than in the past. The educational system has only recently begun to address the problems of work preparation and minimum competency; and this does not begin to attack the problem of dropouts. Nor has it been able to adequately solve the continuing problem of functional illiteracy.

The tragedy of this situation is not in the rather thinly veiled rhetoric we hear again about a "long hot summer", but rather in the situation which will exist in 10-15 years when these youth will be prime age workers. They will be unable to compete for the high-tech jobs of the future which will be in supply. The irony of having thousands of well-paid, skilled jobs vacant at the same time millions of workers are unemployed due to the lack of basic skills, will not be lost on those so affected. The losses to our economy could be astronomical in dollars as well as wasted lives. Our investments in these youths today will pay extremely good returns in the future. Therefore, I would argue that there should continue to be specifically designated programs to address the problems of youth today so as to avoid the same problems with adults in the future.

The balance of my testimony will focus on some structural and systemic issues which I believe are at the root of some of the problems experienced in administering the employment and training policy.

While recognizing the necessity and propriety of federal oversight and regulation of programs, I am, nevertheless, a strong proponent of decentralization and local control at the labor market level. The degree of quality at the local level is obviously varied from excellent in a surprisingly large number of cases, to poor in all too many locations. Unfortunately, the rewards for excellence in operating CETA and other employment and training programs have been in the past, the same as the punishment for the poor programs: exactly nothing. This must be changed. If a local program fails to meet established standards it should be eliminated, and the high quality programs ought to be rewarded. But a more important consideration should be a move to improve the structure and management of the entire system.

Our structural problems are legion. The CETA Prime Sponsors, which now number almost 500, serve a variety of different locales. Some major metropolitan areas are served by a rationally structured consortium of all of the local jurisdictions in the labor market. In other areas, we find several Prime Sponsors, confined by artificial jurisdictional boundaries, all attempting to do the same thing but only for their own citizens--with the same limited number of private employers. I firmly favor a labor market approach--the existing consortia have demonstrated that the goal is achievable, and can work efficiently.

The managerial problems faced by the system are also numerous. Part of the problem is attracting and keeping competent people at the pay scale many governments have; another part is the need for better training of managers in the system--both federal and local. However, the overriding managerial concern is the constantly changing priorities with which we must contend. The programs phase up and down, get eliminated, are reauthorized, and cycle begins again. We rarely know at the start of our fiscal years how much money we will have to operate our programs; and consequently must spend our time in doing budget and program modifications, rather than in managing the resources efficiently. For example, in my consortium, we did not receive a final amount for this fiscal year until May 25. With the additional deferrals recently approved, we will go through the process again. We have requirements in the regulations which have the effect of adding to our administration burden, and therefore costs, but which do not contribute to program improvement or managerial efficiency. The reporting and paperwork requirements have gone past burdensome and are approaching the realms of absurd science fiction--especially since I suspect that nobody reads them. I wish to make clear that I am not complaining about those reports required for good management--but rather exactly the kind of unnecessary and wasteful paper shuffling that private sector management complains about.

In terms of protection of public monies, I am frequently appalled at the laxity of auditing in employment and training programs. I believe that every program should be audited annually -if for no other reason than that the audit is a good managerial tool. My organization does so, most cities and counties and states are required to so, why not all federally funded programs? Annual audits and reconcilations would also ease the problem of collecting momey owed to the government. But the protection of federal funds goes beyond the needs for audits--it requires well run, successful programs so as not to waste the resources. This raise the question of measurement of success. And this is an area in which the Department of Labor is to be complimented for its efforts. The new performance benchmarks are an excellent methodology to achieve rational success measurement. There are several bugs to be worked out, but the idea of using national standards modified by local program and labor market conditions is, in my view, a rational method.

The remaining major structural question is how to coordinate all of the diverse federal employment and training programs and to involve the private sector at the same time. I believe it is absolutely necessary to do so. As we are now in an era of diminished governmental resources, it is inconceivable that there should continue to be a multitude of separate, often competitive, programs, many of which are funded by the Department of Labor. It is imperative that consolidation be carefully examined.

Many of these programs have overlapping client groups. For example, welfare clients can be served by CETA, the Employment Service, WIN, TJTC, older worker programs and possibly by Voc Rehab, the Veterans employment programs, and others. The same situation applies for most other client groups. In many areas of the country, these programs have little if any formal coordination. CETA is obviously a misnomer--it is far from comprehensive.

This condition causes difficulty for us in approaching the private sector. Many businessmen and women appropriately view the absurdity of disjointed approaches to the same problem as wasteful and inefficient. There is, furthermore, a resentment in the private sector of being approached by dozens of job developers trying to secure a commitment for employment.

Perhaps the best solution would be to scrap the current system, and start over with a system of unified, labor market based, employment and training programs. These could incorporate all the necessary functions presently resting in CETA and the other diverse programs. Perhaps these agencies, which could be governed by boards of private citizens appointed by the local elected officials and the governor could end the duplication of services, the inefficiency, and waste found in the existing non-system. The possibility of this is somewhat limited by the vested interests, both in and out of the government, who would be adversely affected. In the absence of such a radical move, we must at least coordinate these efforts at the local level. Not by creating more advisory boards with mandated membership; but rather by consolidation by function, of the several grant programs. Why for example, should the WIN program and CETA be separate entities, when both serve welfare recipients outside of the welfare system per se? At a minimum, regulatory requirements for cooperative efforts should be reciprocal. It does no good to require one program to coordinate with another if the second has no requirement to do so. This is particularly important in the idea of controlling the continuing participation in programs of persons who refuse opportunities offered by another. For example, we have found numerous cases of persons who have refused placement into good entry level jobs in the private sector because the pay level would result in an income less than that available to them through income transfers and in kind support.

While I have been critical of many aspects of our current employment and training system, I believe that it has basically worked pretty well. CETA, especially, has had a positive impact on the lives of the participants and the local labor markets. National data suggest that 66% of the participants terminate the program in a positive manner, with between 40 and 50% moving directly into unsubsidized employment. Long term follow-up by several researchers has shown significant long term gains in income.

We have learned a lot from CETA over the past seven years. We have learned that most localities can be responsible for operating federal programs. We have learned what kinds of programs and strategies can work best in helping the unemployed get jobs. And perhaps, most importantly, we have learned how to improve our programs and what steps we must take to wring maximum efficiency from increasingly scarce resources.

What we must do now is to take the necessary steps to insure that the employment and training system has the tools, the managerial resources, and the competence necessary to assist our clients in obtaining the fruits of our economy.

Again, I wish to express my thanks for the opportunity to speak with you today--I will be happy to answer any questions you may have.

Senator **Quayle**. Thank you very much.

Mr. Clancey mentioned opposition to block grants to the States; he felt that that would be more encumbering and would create additional administrative nightmares.

Do the other two of you agree with that? You would not favor block grants to the States?

Mr. **Wilt**. I would not favor them. We have one program that we must deal with the State on now—the 6-percent vocational education grant. That ties up an incredible amount of staff time compared to the amount of money we receive from that program because of the State bureaucracy.

Senator **Quayle**. Would you rather work with the bureaucrats in Washington than the bureaucrats in the State capitals? Is that basically what you are saying?

Mr. **Clancey**. The bureaucrats in Washington are 50 miles further away than the bureaucrats in Richmond, Senator. [Laughter.]

At least the bureaucrats in Washington will publish regulations that, if you sit down with your lawyer, you have an opportunity, if you work at it, to understand.

Oftentimes, what we have found is that a State bureaucracy is, in cases I know of, operated somewhat less formally. If we are to be required to follow a standard of the Commonwealth of Virginia, in my case, to implement a policy that the legislature decides on at the State level, it may, in fact, not be a solution to the problems that are being suffered by the people in my jurisdictions, which are different than some of the other areas of the State.

I think what we need to have is flexibility at the local level rather than a control at a higher level of government.

Senator **Quayle**. You say that the Federal level would be more structured and would have more regulations, and you would have chances to interpret what they would be. Yet, in Richmond, they would be less formal. Would that not be more flexible, and that is what we all want, is it not?

Mr. **Clancey**. I think the issue is the clarity that we get—we are talking about relative degrees of murkiness here. The Federal Government regulations are somewhat less murky, I think, than the labyrinthine regulations that you find in State government.

If you look at the Employment Service bureaucracy as a direct analogy, I think what you find is that the clients who refer to the Employment Service as the "unemployment office" are often more correct in their assessment because, generally, they come out in the same condition they went in. It is because the Employment Service has a civil service merit system bureaucratic structure rather than a rather informal kind of structure that we have with the prime sponsorship. It requires you to have these rigid procedures that you have to apply in all cases.

What I am suggesting, Senator, is that we ought to have flexible regulations from the Feds, and if we could get them from the State, that would be fine, too. But the notion that I want to hit is flexibility at the local level rather than at the State level, because the problems do not exist in the aggregate; they exist in the local communities.

Senator QUAYLE. And you think you can get more flexibility out of the regulations from Washington rather than the regulations from Richmond?

Mr. CLANCEY. I think so, yes, sir.

Senator QUAYLE. Is that the opinion of the other two?

Mr. GERSHON. Well, I think it is hard to say how it would work out. I think each State would deal with the block grants very differently. I personally would like to see it done and I would like to take a shot at it in our State of Oregon in trying to make it flexible.

Senator QUAYLE. Let me ask one final question. All three of you have criticized to some degree the efficiency of the system. But none of you really criticized the system itself or the structure—the prime sponsor and the subgrantees. It is more the management of the system than the system itself, that is a problem?

Are there some inherent flaws within the system that we have right now, or is it basically a management problem?

Mr. CLANCEY. I think, basically, Senator, we have some of both. There are some flaws in the structure, and I risk the wrath of my fellow prime sponsors in some cases, but I think what we need to do is operate on a model that the consortia, prime sponsors have pioneered—operating on a labor market basis rather than a single jurisdiction basis.

People are not hired on the basis of whether they live on one side or another of an artificial boundary line. They are hired by an employer to do a specific job, and if we are constrained by the jurisdictional lines, I think we are going to have significantly less success than if we operate on a whole labor market structure.

I think we have some problems in terms of the implied requirement to fund certain kinds of community-based organizations, who are given absolute preference regardless of their quality at the local level. I think that should be corrected to some degree.

There are severe management problems at all levels. Some of the management problem is caused by the pay scales that many State and local governments have; some is caused by the lack of management training for key staff, which is being corrected by the Department of Labor now.

But the major management difficulty is in terms of the uncontrollable issues, such as the funding issue and the fact that grievances can be filed against you for anything, regardless of the individual's standing. The absolute uncertainty with which we deal constantly makes it very difficult to operate a clean and efficient managerial structure.

Mr. WILT. I think that the system, you know, is inherently good. But right now, today, everyone that works on my youth employment and training staff is out looking for another job. You know, we have no idea what the status of these programs are going to be from month to month.

A previous speaker mentioned that with the management information requirements, the audit requirements, the grant planning cycle which is a real nightmare, and the reduction of your overall administrative budget with the elimination of PSE, if there is not a lot of flexibility put back into the local level, there simply is not going to be the administrative money to run a program well.

Mr. **Gershon**. Senator, my feeling is that just since the reauthorization in 1978, the system has become bad. With the four levels—the national DOL office, the regional DOL offices, the prime sponsors, and then the subgrantees—the complexity has made the whole thing a hot potato. Nobody wants to make a decision, and that has led to terrible management difficulties.

So, I would say that at this point, the system is bad, and that is why I am willing to take a chance with the block grant system, because we feel that if we could get the money into our area as a community-based organization, that is where we function best and we will take our shot there.

Senator **Quayle**. Thank you very much.

Mr. Robert McGlotten from the AFL-CIO.

Welcome back.

Mr. **McGlotten**. Good morning, Senator. How are you?

Senator **Quayle**. The last time you testified on the legislation, it sped right through the Congress with very little deliberation. We will see what you can do for us today. Go ahead.

STATEMENT OF ROBERT McGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY MARK LEE ROBERTS, CHIEF ECONOMIST, RESEARCH DEPARTMENT

Mr. **McGlotten**. Mr. Chairman, my name is Robert McGlotten. I am the associate director of the department of legislation of the AFL-CIO. With me today is Dr. Mark Lee Roberts, chief economist of the research department of the AFL-CIO.

We appreciate this opportunity to present the views and concerns of the AFL-CIO in regard to employment and training issues. We hope these hearings will help to lay a solid foundation for constructive action by Congress on employment and training programs and practices.

There are four key points I want to emphasize at the outset. One, the basic foundation for an effective and comprehensive national employment and training policy should be the goal of attaining and sustaining full employment. Jobs for all Americans able, willing and seeking work are the key to a healthy economy and a healthy society. Full employment is essential to economic recovery and economic growth and to social progress.

No. 2, the Federal Government has a responsibility to promote full employment—a responsibility spelled out in the Employment Act of 1946 and restated even stronger in the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act of 1978.

General economic policies, including fiscal, monetary and trade policies, should promote full employment. Likewise, direct, specific, targeted employment and training programs, including direct job creation and a range of job preparation and job placement and job training programs, are necessary Federal undertakings to achieve full employment.

No. 3, labor representation and labor participation are essential in planning and implementing employment and training programs in the private sector and the public sector and at the National, State and local levels of operations in order for these programs to be responsive to the overall needs and aspirations of workers.

Labor organizations have an important role to play in working with the private sector and working with State and local authorities to give advice in the planning process, to help target limited resources to the highest priority employment and training needs, and to participate in operation of programs where labor unions have special knowledge, expertise and resources.

National employment and training policy should assure continued support for many labor-sponsored programs, including the AFL-CIO's Human Resources Development Institute, apprenticeship outreach, and other union-sponsored on-the-job training and upgrading programs, as well as continued support for national programs such as those of the recruitment and training program, the Urban League, the Opportunities Industrialization Center, and other national programs of community-based organizations.

No. 4, labor standards and labor protections currently incorporated in employment and training programs should be continued and maintained. We insist on fair and decent wages and working conditions in all employment and training programs in both the private and the public sectors. Wages in these programs should be at the prevailing rate of pay for the occupation, and certainly not less than the Federal minimum wage.

The wages and working conditions for people in these employment and training programs must not undermine or destroy established wages and working conditions and job opportunities for other workers in regular employment.

Employment and training programs should not be used to subsidize low-wage, substandard employers, to subsidize high labor turnover or jobs which do not require training, or to aid runaway industries. And these programs should certainly not be a substitute for programs that employers normally perform. Federal funds should not be used to reward employers for doing what they would do anyway without a subsidy.

With these four general points in mind, Mr. Chairman, I would like to turn to a number of related issues.

We strongly support general economic policies aimed at economic growth and full employment. We strongly support targeted programs to meet the needs of specific groups of unemployed and disadvantaged workers.

In the employment and training area, unemployed men and women who cannot find jobs in the private sector should be put to work on the various public service and public works projects that expand the services and facilities and infrastructure needed for a healthy economy.

It is important to note that direct, targeted jobs programs tailored to the specific needs of unemployed workers and to specific social needs are two to four times more effective in creating jobs than are generalized tax cuts.

The current law has a targeting mechanism that begins to address these issues as well as the problems of special groups with their specific needs. Specifically, part B, part C and part D of title II of the Comprehensive Employment and Training Act are a targeting mechanism.

Overall fiscal and monetary policy will not resolve specific industrial, geographic and demographic problem areas. A great deal of public and private investment is needed in specific areas to raise this Nation's productive potential to where it ought to be.

Finally, Mr. Chairman, let me say that it is imperative that the Federal Government continue to play a key role in the administration and development of employment and training programs. It must retain overall national control of policy and direction, while sharing administration of programs with State and local authorities as well as with the private sector, including business, labor and community groups. It must be flexible and it must assure specialized training and job assistance to special groups with special needs.

Mr. Chairman, with your permission, I would like to include a number of AFL-CIO convention resolutions on employment and training issues in the record of these hearings.

Senator **Quayle**. It certainly will be included in the record.

[The prepared statement of Mr. McGlotten along with the convention resolution referred to follows:]

STATEMENT BY ROBERT McGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, TO THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY OF THE SENATE LABOR AND HUMAN RESOURCES COMMITTEE ON EMPLOYMENT AND TRAINING ISSUES

June 19, 1981

Mr. Chairman, my name is Robert McGlotten. I am Associate Director of the Department of Legislation of the AFL-CIO. We appreciate this opportunity to present the views and concerns of the AFL-CIO in regard to employment and training issues. We hope these hearings will help to lay a solid foundation for constructive action by Congress on employment and training programs and practices.

There are four key points I want to emphasize at the outset.

1. The basic foundation for an effective and comprehensive national employment and training policy should be the goal of attaining and sustaining full employment. Jobs for all Americans able, willing, and seeking work are the key to a healthy economy and a healthy society. Full employment is essential to economic recovery and economic growth and to social progress.

2. The federal government has a responsibility to promote full employment -- a responsibility spelled out in the Employment Act of 1946 and restated even stronger in the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act of 1978. General economic policies, including fiscal, monetary, and trade policies, should promote full employment. Likewise, direct, specific, targeted employment and training programs, including direct job-creation and a range of job-preparation and job-placement and job-training programs, are necessary federal undertakings to achieve full employment.

3. Labor representation and labor participation are essential in planning and implementing employment and training programs in the private sector and the public sector and at the national, state, and local level of operations in order for those programs to be responsive to the overall needs and aspirations of workers.

Labor organizations have an important role to play in working with the private sector and in working with state and local authorities to give advice in the planning process, to help target limited resources to the highest priority employment and training needs, and to participate in operation of programs where labor unions have special knowledge, expertise, and resources.

National employment and training policy should assure continued support for many labor-sponsored programs, including the AFL-CIO's Human Resources Development Institute, Apprenticeship Outreach, and other union-sponsored on-the-job training and upgrading programs, as well as continued support for national programs such as those of the Recruitment and Training Program, the Urban League, The Opportunities Industrialization Centers and other national programs of community-based organizations.

4. Labor standards and labor protections currently incorporated in employment and training programs should be continued and maintained.

We insist on fair and decent wages and working conditions in all employment and training programs in both the private and the public sectors. Wages in these programs should be at the prevailing rate of pay for the occupation and certainly not less than the federal minimum wage. The wages and working conditions for people in these employment and training programs must not undermine or destroy established wages and working conditions and job opportunities for other workers in regular employment.

Employment and training programs should not be used to subsidize low-wage, substandard employers, to subsidize high labor turnover or jobs which do not require training, or to aid runaway industries. And these programs should certainly not be a substitute for programs that employers normally perform. Federal funds should not be used to reward employers for doing what they would do anyway without a subsidy.

With these four general points in mind, Mr. Chairman, I would like to turn to a number of related issues.

We strongly support general economic policies aimed at economic growth and full employment. We strongly support targeted programs to meet the needs of specific groups of unemployed and disadvantaged workers. And we strongly support targeted programs to meet specific skill shortages and resource bottlenecks and to meet specific public and private investment targets for expansion of this nation's productive potential.

In order to curb inflation, reduce unemployment, and solve fundamental structural problems in the U.S. economy, the resources of the nation must be redirected and better targeted.

In the employment and training area, unemployed men and women who cannot find jobs in the private sector should be put to work on the various public service and public works projects that expand the services and facilities and infrastructure needed for a healthy economy.

It's important to note that direct, targeted jobs programs tailored to the specific needs of unemployed workers and to specific social needs are two to four times more effective in creating jobs than are generalized tax cuts.

The skills and abilities of the unemployed must be put to productive use and not go wasted. These job programs can be targeted to increase supply and to raise economic efficiency in key areas, thereby moderating price increases while reducing unemployment. Training for energy-related jobs is one example of this targeted approach.

We believe there should be expanded training programs for adult workers and for young people, with particular emphasis on skill-upgrading and on-the-job training. Training programs raise the productivity of the work force with new job skills and lead to better job prospects for both young people and adult workers.

The current law has a targeting mechanism that begins to address these issues as well as the problems of special groups with their specific needs. Specifically Part B, Part C, and Part D of Title II of the Comprehensive Employment and Training Act are a targeting mechanism.

In the case of Part B, employment and training services are provided to economically disadvantaged persons to help them move into regular jobs. In the case of Part C, upgrading and retraining opportunities are geared to help alleviate specific skill shortages. And in the case of Part D, the law establishes transitional jobs and training for economically disadvantaged persons to help them move into unsubsidized jobs.

In fiscal 1979 there were about 1,200,000 enrollements in Part B and C programs -- with 570,000 in classroom training, 390,000 in work experience, and 157,000 in on-the-job training. There were 460,000 enrolled in Title II-D public service jobs.

Likewise, under Title III of CETA there is targeting of national programs to special disadvantaged groups and to special national purposes as well as directed to meet critical skill shortages reflecting national needs and national concerns. Such targeted national employment and training programs are essential because local solutions to local problems often do not deal adequately with national needs and national concerns.

For example, under Title III, the AFl-CIO's HRDI and local building and construction trades councils have sponsored or supported more than 100 apprenticeship outreach programs to recruit, tutor, and place economically disadvantaged, unemployed and underemployed people, especially women and minority youths. This helps meet the nation's need for skilled workers and helps meet the needs of special groups with special problems. In addition to national programs supported or operated by building trades unions, there have been a large number of non-building trades programs run by unions such as the Machinists and Firefighters and Service Employees unions -- and these are targeted programs to meet national needs.

Private Industry Councils -- PIC's -- have not met the grandiose expectations that were set forth when Title VII was enacted. Experience shows that we cannot expect the private business sector take over all or most of the employment and training activity in this nation that has been performed under the prime sponsor system and under the national programs of Title III and the youth programs of Title IV.

The PIC's should be more closely linked to the prime sponsor system. They should have more labor representation, along with the representation of community based organizations and education agencies. The PIC system simply cannot deliver the kind of services that the prime sponsor system delivers.

In good times, when the economy is growing and business is booming, employers are willing to add new, less experienced, less skilled workers. But in a recession or economic downturn, employers are less able to hire new workers and less willing to take a chance on less qualified workers.

Therefore, it is unrealistic to rely on private sector business employers to meet the nation's employment and training needs when the economy is going through recession or slow growth.

It is essential, therefore, to develop and to maintain the kind of national employment and training programs that meet this nation's needs.

Overall fiscal and monetary policy will not resolve specific industrial, geographic and demographic problem areas. A great deal of public and private investment is needed in specific areas to raise this nation's productive potential to where it ought to be. The AFL-CIO has proposed joint business, labor, and government participation in a "reindustrialization" program to channel public and private funds into such job-creating investment -- investment targeted to specific industries with special capital needs for modernization, expansion, and restoration of their competitive position, investment targeted to specific geographic areas of the country that are most in need.

For example, the nation's transportation network should be upgraded for people and goods to move more efficiently. Railroad, highways, port facilities, and airports are in desperate need of rehabilitation. Urban mass transit systems need continued financial support and need to be extended and modernized. Also, the urban infrastructure of sewers, water systems, streets and bridges need renewal. Public investment of this nature would greatly improve economic efficiency and potential output of goods and services. It would also open up job opportunities for America's unemployed workers.

In this connection, I want to repeat the strong support of the AFL-CIO for a counter-cyclical jobs program along the lines of the present Title VI program. We need to deal with both cyclical unemployment and structural unemployment.

We also repeat our very strong support for the "two-track" system which includes Title III national programs like HRDI and other labor-sponsored programs directly funded by the U.S. Labor Department. Far too often in the decentralized local "prime sponsor" system the local labor organizations are ignored or frozen out of the key decisionmaking.

Finally, Mr. Chairman, let me say that it is imperative that the federal government continue to play a key role in the administration and development of employment and training programs. A comprehensive national employment and training program -- giving top priority to full employment -- must be national in scope. It must retain overall national control of policy and direction, while sharing administration of programs with state and local authorities as well as with the private sector including business, labor and community groups. It must be flexible and it must assure specialized training and job assistance to special groups with special needs.

Mr. Chairman, with your permission, I would like to include a number of AFL-CIO convention resolutions on employment and training issues in the record of these hearings. Thank you.

January 1981

AFL-CIO POLICY ON CETA, ON EMPLOYMENT AND TRAINING ISSUES

The basic policy of the AFL-CIO on employment and training issues generally and on almost all specific issues which have come up under the Comprehensive Employment and Training Act is spelled out in the AFL-CIO 1975 convention resolution on "Manpower" and is still valid. The resolution is as follows:

"Full employment is the basic prerequisite for an effective and comprehensive national manpower policy. Jobs for all Americans able, willing and seeking work are the key to a healthy economy. A healthy, expanding, full-employment economy is essential to economic recovery and social progress.

"The AFL-CIO insists on substantial, decisive and determined action by the federal government to put America back to work. Job creation is an essential component of such action.

"Large-scale, job-creating programs such as housing, accelerated public works, aid to cities and aid for railroad trackbed repair are required. In addition, to the extent that regular job-creating channels in the economy do not create enough jobs for the expanding labor force, the federal government must provide funds on a scale sufficient to support a massive public service employment program. At least one million public service jobs are needed for Americans who cannot find jobs.

"Public service jobs programs must be expanded by Congress and must be put into operation promptly and effectively by the U.S. Labor Department and by state and local governments. Such expanded programs to create jobs for the unemployed and seriously under-employed would provide additional badly-needed services in hospitals and other health facilities, recreation facilities, sanitation, pollution controls, and other essential activities needed at the community level. These jobs would help the unemployed and would help financially hard-pressed state and local governments improve and increase their services.

"We insist that federally financed public service jobs must be additional jobs and that state and local governments must not be permitted to fire permanent employees in order to hire temporary public service job seekers. Workers hired under the public service employment program should be accorded the same general conditions of employment as regular state and local government employees. The AFL-CIO insists on adequate wages and working standards in all manpower programs in both the private and public sectors. Wages under these programs should be at least at the level of the federal minimum wage or the prevailing rate of pay for the occupation, whichever is higher.

"Manpower programs must not be used to subsidize low-wage, substandard employers and to undermine the wages and working conditions of other workers, to aid runaway industries, to subsidize high labor turnover or jobs which do not call for training before hiring.

"The AFL-CIO and its affiliates will maintain a close watch over the administration of manpower legislation, and we will bring to the attention of Congress those actions which ignore the will and intent of Congress. We insist upon fulfillment of requirements in manpower legislation that labor organizations directly involved have ample opportunity to comment on proposals from manpower program agents.

"National manpower policy must assure continued support for labor union-sponsored programs such as the AFL-CIO's Human Resources Development Institute, Apprenticeship Outreach and on-the-job training. And it must assure continuing opportunity for labor representation and labor participation in manpower planning at the state and local level.

"Training services and improvements in the administration of manpower programs are important and necessary, but they are not ends in themselves. Training must be followed by a job if it is to have any value. Administration decentralization and flexibility are not substitutes for job creation and job development.

"A good comprehensive national manpower policy would bring together all federally-supported manpower programs under a federal, centrally consolidated administration in the Department of Labor.

"As part of such consolidation, we urge that the U.S. Employment Service be federalized. At present, there are 50 state systems. An effective, nationwide employment service should be established to meet the needs of workers and employers on a national basis. In any such consolidation or reorganization, the job fights, employment conditions and other benefits of affected workers must be protected.

"Until federalization is accomplished, we urge that steps be taken immediately to strengthen the ability of the U.S. Employment Service to enforce higher standards of performance by state employment service agencies and to assure that the service will pattern its operation according to the needs of workers and employers, to match workers with job-openings and not be hemmed in by community and state boundaries.

"The federal government must not give up to state and local governments ('prime sponsors') what are essentially federal responsibilities in policy-making, administration and development of manpower programs. These programs should meet national standards and regulations set y the U.S. Labor Department following consultations with organized labor. And there must be participation by organized labor in planning and administration of manpower programs at the state and local level.

"The AFL-CIO insists on a continuing key federal role and federal responsibility in administration and development of manpower programs. A comprehensive national manpwer program -- giving top priority to full employment -- must be national in scope. It must retain overall federal control of policy and direction, while sharing administration of programs with state and local governments. It must assure a comprehensive approach with consolidation and coordination of all manpower activities under a central administration in the U.S. Labor Department and must retain such significant categorical programs as the Job Corps. In addition, it should have enough flexibility to allow the emphasis to be shifted from one type of program to another, as the situation warrants; to give special manpower aid to depressed areas; to provide specialized training and job assistance to groups with special manpower needs; and to provide for a vastly expanded large-scale public service employment program."

Job Rights of Public Employees

The 1977 AFL-CIO convention expressed concern about "Job Rights of Public Employees" affected by CETA in the following resolution:

"Governments at all levels are exploring various reorganization or consolidation plans aimed at reducing duplicative governmental agencies. At the same time, legislation has been proposed on the federal, state and local level which would shift administration and/or funding of various programs from one level of government to another and from the public sector to the private sector.

"The AFL-CIO has supported and will support reorganization plans that will enhance government efficiency without damaging essential programs or diminishing essential services. We believe that AFL-CIO unions representing employees in federal, state and local government can be of great assistance to governmental officals in developing such plans.

"Further, we believe that government at all levels has an inescapable obligation to its employees to protect their job rights and employment conditions in any reorganization, consolidation or transfer of administration.

"The Comprehensive Employment and Training Act (CETA) has been recognized and supported by the AFL-CIO as a vital job-creating program, but it must not be used as a mechanism for wage-cutting, displacement, or the denial of promotional opportunities for regular permanent public workers.

"CETA workers are entitled to the same contractual conditions enjoyed by regular employees performing the same job -- no better and no worse -- covering wages, hours, and other applicable benefits. These workers should be placed in entry-level jobs or through some equitable and reasonable method that prohibits an unfair proportion of promotional opportunities being filled by CETA workers.

"Above all, CETA must be administered as a program to provide work for the unemployed until permanent jobs can be found in the private sector, not as a program that jeopardizes the job rights of regular employees."

Human Resources Development Institute

The 1979 AFL-CIO convention adopted a resolution which re-emphasizes and under-scores the key role of the AFL-CIO's employment-and-training action arm, the AFL-CIO Human Resources Development Institute, as follows:

"As prospects for economic recession and rising unemployment increase, the need for the labor movement to provide continued assistance to disadvantaged, unemployed and underemployed individuals becomes more critical.

"The Human Resources Development Institute has the responsibility for providing a wide range of employment and training services on behalf of organized labor to unemployed union members, minorities, youth, the handicapped, veterans, women, and all groups who face the critical problems of chronic joblessness.

"The restructuring of the Comprehensive Employment and Training Act by Congress and its new governing regulations give the labor movement an expanded role in the planning and provision of employment and training services and in the protection of its own interests. HRDI has the capacity and expertise to assist state and local central bodies and AFL-CIO affiliates to discharge their rights and responsibilities under CETA. Therefore, the AFL-CIO recommends that HRDI:

"1. Continue its cooperative efforts with local labor movements in the job development and placement activities, and in efforts to develop employment and training programs on behalf of disadvantaged, unskilled, unemployed and underemployed groups and individuals, such as youth, disabled workers, women, veterans, offenders and others.

"2. Provide technical assistance and educational services to international, national, and local unions, so that they may fully participate in the nation's employment and training programs, and better protect their rights under the law by ensuring compliance with regulations protecting workers covered by collective bargaining agreements.

"3. Assist state and local central bodies in the fulfillment of their responsibilities and opportunities under CETA, with particular emphasis on effective labor participation on all planning bodies constituted under the Act.

"4. Operate programs most effectively administered from the national level to meet the special needs of disadvantaged groups.

"5. Make its services available to the departments of the AFL-CIO, national and international unions, and state and local central bodies in meeting their employment and training needs."

The AFL-CIO has a very strong concern about the need to continue CETA Title III support for "national programs" like HRDI and other labor-sponsored and labor-supported "national programs" which have been funded directly by the U.S. Labor Department under Title III.

The AFL-CIO has no quarrel with the basic concept of decentralized management of employment and training programs to meet local needs that is embodied in the CETA "prime sponsor" approach, but we believe that it is important and essential for the federal government (the U.S. Labor Department) to continue to set national policy and to set national standards by law and regulations, including specifically national labor standards and labor protections now written into the CETA law and CETA regulations.

Notwithstanding AFL-CIO recognition and acceptance of the decentralized local "prime sponsor" system of administering CETA programs, we must repeat our very strong support for the "two-track" system which includes Title III national programs like HRDI and other labor-sponsored programs directly funded by the U.S. Labor Department. Far too often in the decentralized local "prime sponsor" system the local labor organizations are ignored or frozen out of the key decision-making. And far too often, national policy concerns for such key programs as Apprenticeship Outreach, Native Americans, veterans, handicapped, youth, and so on are simply ignored by the local prime sponsor authorities.

In addition to its role as a national program operator, the AFL-CIO's HRDI conducts formal training for state and local labor organizations so they will be able to get involved and function effectively in local CETA prime sponsor programs.

Some General CETA Concerns of the AFL-CIO

In 1978, with the CETA program about to expire, the AFL-CIO urged a big expansion of the public service jobs program and called for a two-part approach: one for the "structurally" unemployed and one for "cyclically" unemployed.

The AFL-CIO noted that both structural and cyclical unemployment are serious problems; that these problems are difficult if not impossible to disentangle from each other; and that it is impossible to bring down structural unemployment when the nation is experiencing high cyclical joblessness. If regular, experienced workers are looking for jobs, it is highly unlikely that the private sector will seek or accept economically disadvantaged workers who lack skills and work experience.

The AFL-CIO recognizes a legitimate, proper, and desirable concern for allocating scarce resources to those who are most needy, but we also recognize a need for a truly comprehensive employment policy to deal effectively with the persistent problems and needs of the regular workers whose unemployment problems are no less serious simply because their unemployment has been defined as "cyclical."

The AFL-CIO does not claim that the needs of cyclically unemployed regul workers should have exclusive attention or that the needs of these workers should take precedence over the needs of the structurally unemployed and economically disadvantaged workers. Both needs are important and both must be met.

Some Specific AFL-CIO Concerns

1. The AFL-CIO is deeply concerned about the need to protect basic labor standards. We oppose using CETA jobs or youth jobs or welfare jobs or subminimum wages or wage subsidies or tax subsidies (including TJTC, the Targeted Job Tax Credit), which directly or indirectly undercut the hard-won wages and working conditions of regularly employed workers.

This does not mean we oppose special programs and special assistance for employers who reach out to recruit and train disadvantaged workers, and, in fact, we strongly support such programs, and HRDI and other union programs have been very active in such programs.

Although the regulations now provide for a straight 50 percent reimbursement to employers without documentation of extra costs of recruiting and training, the AFL-CIO continues to support the position that reimbursement is only given for extra costs over and above normal costs of recruiting and training.

2. The AFL-CIO would like to see increased attention and emphasis given to on-the-job training and upgrading efforts. OJT has proved itself as an effective method of getting people into permanent, private sector jobs.

Upgrading programs likewise serve a useful purpose in moving lower-level, lower-paid workers up into permanent, private sector higher-skill, higher-pay jobs, and at the same time, opening up entry-level jobs which can be filled by low-skill, economically disadvantaged workers.

3. We have no basic disagreement with the idea of experimental-demonstration job programs for welfare recipients under CETA, but we insist that these programs must conform to the same wage and labor standards that govern all CETA programs.

4. The AFL-CIO strongly supports the continuation and maximization of formal requirements for labor membership and participation in the existing decentralized system of local "prime sponsor" administration of CETA programs, in the prime sponsor planning councils and in the Title VII Private Sector Initiative Program, PSIP, with its Private Industry Councils, PICs.

5. Consultation - All labor organizations representing workers in the same or similar occupations planned for training whether or not training occurs in a union shop must be consulted on the design, content and operation of these programs. The wording is definitive in the regulations (676.24) and less definitive in the law (Section 103 (a) 9 and (a)(18)). Implementation of the policy is however difficult and become a major focus of HRDI's local activities.

6. Concurrence - Any CETA program which affects a bargaining agreement must obtain the written concurrence of the bargaining agent before it can be funded. (Section 676.24) Again enforcement is difficult.

7. Comment on Plans - Labor organizations representing workers in the same or similar occupations planned for training must receive a copy of the plan 30 days before it is submitted for their review and comment.

8. Conducting Programs - With one exception, labor organizations are recognized as one of many potential deliverers of CETA services. Although legitimized in the law, many labor unions lack local support, expertise and understanding necessary to receive funds for training programs. Increased (and sanctioned) labor membership on Prime Sponsor Planning Councils and PICs could generate more labor involvement.

Labor organizations are specifically prohibited from operating upgrading programs. Only employers can receive CETA funds and they in turn can contract to unions. We strongly suggest that unions be allowed to operate upgrading programs for their membership.

9. Labor Protections - These include:

a. Payment of prevailing wages, including Davis-Bacon where applicable.

b. Collective bargaining agreement coverage as well as the same benefits and working conditions for CETA participants.

c. No one can be placed in an OJT program affected by a labor dispute work stoppage.

d. Programs are not to result in the displacement of currently employed workers, including partial displacement such as reduction in hours of non-overtime work, wages or employment.

e. Programs cannot impair existing contracts or assist employers in relocation which will result in an increase in unemployment in the area or in any other area.

The basic tenents of the law provide labor with the necessary protection is in establishing sound policies to implement the above protections is a circuitous process. Attempting to implement them in a decentralized system is even harder.

AFL-CIO Policy on CETA, on Employment and Training Issues

CETA Private Sector Training Issues

1. Private Industry Councils vs. Prime Sponsors.

Private Industry Councils are newly created bodies under CETA Title VII Comprised of a business majority, with representatives of labor, CBO's and Education PICs are designed to provide private sector ("business") input into the CETA system. We support the concept of government-labor-business partnership. In reality, however, PICs are business-dominated entities with labor as the significant minority. PICs must be closely linked with existing Prime Sponsors to assure labor's involvement and protection of its interests. Any efforts to separately fund and institutionalize PICs apart from Prime Sponsors should be contravened. Funding should come through the CETA system and program decisions should continue to be jointly made by PICs and Prime Sponsors.

2. Economic Development Linkages

Efforts have been made to link CETA programs with local economic development projects by requiring a job setaside of 10% - 20%. Employment Impact Statements as well as CETA sign-off are now required in many HUD, EDA and SBA funded projects. Where such agreements do not impair existing contracts or do not result in the displacement or regular workers, they should be supported.

Efforts are also underway to set aside Title VII funds for Economic Development Programs. Efforts to tie together CETA and the new administration "Enterprise zone" concepts should also be carefully scrutinized.

3. Targeted Jobs Tax Credit

TJTC is authorized until December, 1981. The attached "Executive Summary" from Ohio State University indicates that TJTC is a failure. It is not perceived as a legitimate program by the employment and training institutions administering it. It is not being monitored and evaluated by DOL. It has an average of 80% retroactive certifications for those persons already hired by an employer. And the majority of wages are less than $4.00 per hour.

Displaced Workers

An ever increasing group in need are those skilled workers, who have been laid-off in the major industrial states of the north and mid-west, with little or no hope of being reemployed with the same skills. In some cases direct grant to national and international unions have provided relief. Specific CETA programs for retraining under Title IIC and VII are limited in size (6.5%) and scope.

To revise overall CETA eligibility requirements to include workers who have been displaced and are currently working in secondary labor market occupations may cause concern among those representing existing CETA target groups (minorities, women, handicapped, veterans and youth). Some efforts, however, must be made to insure that these growing numbers of "disadvantaged" persons are assisted in a comprehensive manner coupling economic development and reindustrialization strategies with local employment and training programs.

Youth Employment and Training

Background

Prior to CETA, organized labor actively supported employment and training programs for economically disadvantaged youth, including the Neighborhood Youth Corps and the Job Corps. In 1976, it strongly advocated passage of YEDPA, and last year called for the enactment of the Youth Act of 1980 to replace the expiring YEDPA. Moreover, labor organizations have also operated or participated in a variety of CETA Title IV programs (both nationally and locally funded), including vocational exploration, pre-apprenticeship skill training, and work experience programs.

Key Concerns

1. Increased emphasis should continue to be placed on preparing youth for employment in the private sector. Program approaches should focus on on-the-job training and vocational exploration (a highly-structured, closely-monitored program of on-site and classroom activities providing exposure to occupations and skills). Prohibitions against subsidized work experience in the private for-profit sector should remain unchanged (a December 1980 report by GAO on the Entitlement program, the only CETA program that allows work experience in the private, for-profit sector, found indications of worker displacement at for-profit companies participating as Entitlement worksites).

2. Stronger linkages and collaboration among the educational employment and training, labor, and business communities should continue to be encouraged in order to improve the transition from school to work among disadvantaged youth. Increased attention and resources should be given to preparing those youth who are not planning to attend college to enter careers

after high school graduation. Accordingly, the vocational educational, as well as the basic educational system, must be actively involved; moreover, the Employment Service, as well as the CETA prime sponsor, should also be included in these collaborative efforts.

3. The Fair Labor Standards Act and the Davis-Bacon Act should continue to fully apply to youth. The negative impact of youth subminimum wage was recently outlined in a Congressional Budget Office report, "Youth Employment and Education: Possible Federal Approaches" (July 1980).

Final Comment

Labor's opportunities under CETA and specifically consultation and concurrence requirements are under attack from the business community. The U.S. Chamber of Commerce is mounting a campaign of letters to the Labor Department to eliminate Section 676.24, "Labor Organization Consultation and Concurrence" from the regulations. This attack and the attack on the federal minimum wage law and the attack on Davis-Bacon could significantly weaken labor's involvement in CETA programs.

Mr. McGLOTTEN. My colleague and I will be more than glad to answer any questions.

Senator QUAYLE. Let me ask one basic question that I have been asking a number of the witnesses this week and last week. How should our training programs, and CETA specifically, be geared to the unemployed? Should we focus on the structurally unemployed; should it encompass the structurally unemployed and the skilled unemployed and the displaced worker?

What parameters, in definitional terms, should the Federal Government impose on its CETA program?

Mr. McGLOTTEN. I think, Mr. Chairman, that the AFL-CIO policy is clear on this; we feel as though the Federal Government has a responsibility in this whole, entire field of employment and training. We should develop the kind of programs that touches on each one of these issues, whether it be on a structural basis or cyclical basis, or whether it be dealing with providing additional skills to those particular individuals who need additional training to continue a lifetime of employment.

All of this should be in a comprehensive, overall program so that no one slips through the cracks and the Government provides that kind of service for each one of our participants in our society.

Senator QUAYLE. So, you would not draw the line; you would just say comprehensive employment and there are really no areas that should be left out as far as training?

Mr. MCGLOTTEN. Yes, sir.

Senator QUAYLE. Everybody ought to be included; anybody that is unemployed ought to be eligible for the training and employment services and the programs, and CETA itself should not really focus in on, say, the structurally unemployed, as some people have suggested. That is basically your position and the AFL-CIO's position?

Mr. MCGLOTTEN. Yes.

Senator QUAYLE. OK. What should be the role of the private sector, business, industry and labor in training and employment?

Dr. ROBERTS. Mr. Chairman, we see a very important role for the private sector because it is obvious that the biggest chunk of employment is in the private sector, and also the biggest chunk of training. There is a tremendous amount of on-the-job training, informal training, that goes on constantly in the private sector.

The labor movement recognizes this and, in fact, our union people are working constantly with the private sector to both improve and expand, and, in some cases, initiate not only on-the-job training programs and upgrading programs with private sector employers, but also to initiate many kinds of recruitment and counseling and providing of services.

This is done through our Human Resources Development Institute; it is done through many union programs which the unions either operate themselves or support themselves. They do this jointly with management people in the private sector.

So, we do see an important role for this. We also recognize that there are limitations to what can be done in the private sector, because obviously it is much easier for these private sector programs to operate when business is expanding and the companies are doing well. But then when you go into a period of recession or just slow economic growth, it is very hard for private employers to do this.

In terms of improving our resources and improving the productivity of workers, you have to have training programs going on to supplement this private sector activity.

Senator QUAYLE. Let me ask one final question. In some of the testimony we have had, there has been concern expressed about the wages that are paid to CETA employees; that they are better than the wages and benefits and total package that they would receive in an unsubsidized job.

Should this committee be concerned about the actual wages and benefits that we are paying CETA employees so that there would not be any incentive to remain as a CETA enrollee, and there should be a discrepancy or a disparity between a subsidized wage and an unsubsidized wage in the private sector?

Dr. ROBERTS. Let me respond, Mr. Chairman, on that. We do not say that wages of people on CETA-subsidized jobs should be better. I would be very surprised to find that that is at all widespread, if indeed it occurs at all.

Senator **Quayle**. Well, if you add the wages, the transportation add-on, and the day care add-on, there are some examples we have had where their wages are better than the average prevailing wage of, say, one municipality. There are some examples, and I just wondered if we ought to be concerned about that.

Dr. **Roberts**. Well, if it occurs and if there are any incentives for people to stay on CETA wages or training allowances when they could get on, let us say, either private or public payrolls, certainly we would want to eliminate those incentives, obviously. We want to see people on regular, permanent jobs either in the private sector or in the public sector.

I must say that to the extent that there is any of that occurring, I think it may reflect some very low wages in the public sector. But, basically, we are much more concerned with what has happened in the past; CETA employees are put into jobs on public payrolls where they end up doing the same kind of work that public payroll workers are already doing, but the CETA-subsidized workers have been paid less, sometimes, because the job description is played with in some way to give it a lower rating, even though people are actually doing higher rated work.

Mr. **McGlotten**. Senator, we would really be surprised to see that kind of situation take place. Most of our problem has been the fact that particularly after 1978, when they had the average wage amendments put in, many of the wages were much lower than the wages being paid in the various areas.

As a result, there was a tremendous problem where we had collective-bargaining agreements. Prime sponsors were trying to deal with this question and trying to divide up the jobs, rather than having an individual, for example, an engineer making $12,000 for the city, and once they had that average wage in there in terms of the average public employee wage, and it went back to 1977, which was quite low, it became difficult in many States for them to fill their job slots.

Senator **Quayle**. OK. I appreciate that, and I would just gather from your testimony that you really would not oppose any efforts that we would make to make sure that the wages and the benefits that are paid to a CETA employee would be basically below those wages and benefits that they would receive in an unsubsidized job.

Thank you very much.

Next, Mr. Carl Holman. Good morning, Mr. Holman.

STATEMENT OF M. CARL HOLMAN, PRESIDENT, NATIONAL URBAN COALITION, AND BOARD MEMBER, FULL EMPLOYMENT ACTION COUNCIL, ACCOMPANIED BY WILLIAM KAMELA, ACTING DIRECTOR, GOVERNMENT AFFAIRS, NATIONAL URBAN COALITION; AND THOMAS M. SNEDDEN, DIRECTOR, COMMUNITYWIDE EMPLOYMENT PROGRAM, NATIONAL URBAN COALITION

Mr. **Holman**. Thank you, Mr. Chairman, for providing me with this opportunity to beat the clock, I am going to try to submit the statement and then just give some short remarks.

Senator **Quayle**. The statement will be submitted for the record in its entirety.

Mr. **Holman**. Yes. Thank you.

I am here representing the National Urban Coalition, as well as the Full Employment Action Council. You are already very familiar with the position that the Full Employment Action Council has taken, feeling the best way to deal with all of these problems of unemployment is under the rubric of what was originally established as the Humphrey-Hawkins program.

What I would like to call your attention to is the fact that CETA and related manpower programs are especially important now, at a time when this Congress is eliminating some 1 million jobs directly. We are, of course, going to feel a greater ripple effect as this happens.

As you know, every 1 million people added to the unemployment rolls costs the Government $25 billion in uncollected revenues, unemployment compensation, and other forms of assistance.

If you are going to shift service responsibilities to State and local governments, I think it is only wise that attention be paid to the fact that you are talking about shifting these programs to States which, in some 40 cases have revenue caps, making it very difficult for these financially strapped States to pick up these kinds of new expenditures.

I do not know where the State of Indiana stands on this issue, but I certainly have looked at Illinois, I have looked at Massachusetts and, certainly, now that California has run out of the surplus it had, I am not so sure how State governments are going to be able to pick up this additional expenditure especially with the Federal Government cutting many human needs program budgets by 25 percent.

I would like to suggest that if you are going to spend time looking back at what the past record has been and where we are going now it suggests this country needs a fiscal and monetary policy which will promote economic growth. We need to see to it that we are operating more skill-related training programs, especially at a time when service and high technology jobs are the order of the day. I fear many of our young people are going to be part of an underclass, which will not be hired for these kinds of jobs.

I think you do need to provide carefully selected incentives to the private sector and countercyclical assistance to localities. I would like to be able to submit to you for the record some of the information based on what we have done, and looked at in CETA programs, material which we do not have time to deal with today.

We are now predicting an unemployment rate of 8 percent by the end of this year. The last time this happened in 1975, the Budget Committee estimated that it cost the country approximately $92 billion in lost Federal tax revenues.

Some of the new information available—not the scary headlines—points out that in fiscal year 1980, it cost between $6,000 and $16,000 to place a CETA participant in an unsubsidized job. The average was closer to the lower end—nearer to $9,000. When you compare this to the cost estimated for keeping a person on welfare for a year—$14,000—or of incarcerating someone for a like amount of time—$21,000 for a youth offender and $18,000 for an adult—and add the accompanying productivity losses, it seems to me that a revised CETA program is a bargain for the Government and a bargain for the country.

We know that the majority of our people will, and should, be employed in the private sector. We note that up till now, only about 6 percent of the manpower programs are actively seeking to involve the private sector. We would like to share with you some of our experiences working with the private sector.

I would agree with those who say that the CETA program has been more maligned than examined. If I could just take you to Savannah, Ga. where I recently spent time, and looked at two teams of young CETA participants who were able to learn skills which allowed them to move into unsubsidized jobs in the private sector—if you look at our alternative volunteer program, where young people are paired with workers from the private sector, and examine the placement rates there, I think you will begin to see there is a better story to tell than has been told so far.

I hope we do not assume that all rules and regulations are made in Washington, because I can point out to you some localities which have asked for two readings on every one of the decisions to be made in the city council. Evidently bureaucracy works pretty much the same way in most places.

But I do hope that as you examine the history of manpower programs, you will not be looking only at the highly publicized negatives, but also looking at the fact that lots of people really do want and need training, and do want to work, and that given an opportunity, these programs can and will work.

[The prepared statement of Mr. Holman and the information referred to by him follow:]

The National Urban Coalition
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TESTIMONY

OF

M. CARL HOLMAN

Before The

SENATE LABOR AND HUMAN RESOURCES
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

ON

CETA REAUTHORIZATION

June 19, 1981

Chairman Robert M. Pippitt | *President* M. Carl Holman
Co-Chairpersons John T. Fey, Aileen Hernandez, Sol M. Linowitz, James M. Roche, Raul Yzaguirre
Vice-Chairpersons Dorothy I. Height, Jesse Hill, Jr.
Secretary Myrlie Evers | *Treasurer* Glenn E. Watts

Chairman Quayle, I welcome this opportunity to come before you to testify on the CETA reauthorization. I come to you this morning wearing two hats, one as President of the National Urban Coalition, and the other representing the Full Employment Action Council, as a member of its board. Both groups bring together a broad coalition of civil rights, labor, business and public interest individuals and groups who believe a joint effort is necessary if this country's cities are to be restored to their past vitality. We congratulate the Chairman for calling these early hearings to allow for appropriate consideration of employment and training policies for this nation. There is no question that, among all the pressing issues and challenges facing America, none is more important to the elimination of human suffering and the advancement of social equality than the issue of providing jobs for all Americans. I would like to highlight certain issues I believe merit special attention.

During this economic slump, when layoffs in many prime industries of the private sector are proceeding at alarmingly high rates, this Congress is eliminating some one million jobs directly, with many more sure to feel the ripple effect. This kind of federal withdrawal has serious ramifications. Every one million people added to the unemployment rolls costs the government upwards of $25 billion in uncollected revenues, unemployment compansation and other assistance. Not only do these lost jobs drain government coffers of revenue, but they don't save money.

Instead, they shift service responsibilities to state and local governments, forcing them to raise additional revenues to maintain a necessary service level. But more importantly, how do we calculate the social costs of a generation of minority youth who cannot obtain work and who grow accustomed to a life of dependency and idleness? How do we calculate the terrible burden placed upon millions of Americans in the form of increased violent crime, drug abuse, family and community strife? To relegate millions of Americans to periods of joblessness is not only cruel to them, but also detrimental to society as a whole.

DIVERSE POLICIES MUST BE COORDINATED

Because of the complexity of the unemployment problem, a wide range of programs is warranted. Intensive remedial education, basic skills development, and the availability of support services will bring some into the economic mainstream. For others, hard hit be depressed industrial conditions, retraining may be the best approach.

In this short time, I will not attempt to prescribe the particular mix of strategies to which policymakers must adhere to produce a viable employment and training program. Suffice it to say, a fiscal and monetary policy to promote economic growth is a prerequisite; as are operating skill related training programs; providing incentives to the private sector; and countercyclical assistance to localities.

However, I will remind you that these policies must be carried out in a coordinated manner. Overall economic policies must complement specific employment and training strategies. It is unrealistic to expect the private sector alone to provide adequate training programs for large numbers of the structurally unemployed. It is also unrealistic to expect a training experience to lead to a job if the economy is operating at low growth rates. Restrictive monetary policy can undermine fiscal initiatives.

We are the only industrialized nation that does not have a coordinated employment policy. We spend less than one percent of the gross national product on manpower and structural programs. We have an employment service and CETA, but we do not have the kind of comprehensive, coordinated manpower service this nation needs. We need more basic information about the labor market. Why haven't employers been required to list their job with the employment service so that this information might be more readily available to the unemployed? Employers should also be required to provide adequate notices of layoffs and plant closings so that individuals and communities are better able to cope with the problem.

COSTS OF GOVERNMENT INACTION

Our chronic unemployment is severe and must be faced. We cannot afford to continue allowing significant numbers of our people, especially youth, to remain unfamiliar with the work ethic and incapable of sharing in the nation's wealth or social benefits. I believe this problem will be exacerbated unless the Congress develops a policy which takes into account the potential social conflicts likely to develop from the increasing competition between new women workers and young people for available jobs. The costs of addressing these problems is meager compared to the costs of ignoring them. But, bold steps will be necessary to enact and maintain desparately needed public policy to deal with these problems.

Predictions recently called for an unemployment rate of eight percent by the end of this year. When we last attained this rate in 1975, the Budget Committee estimated it cost the country approximately $92 billion in lost federal tax revenues and in higher expenditures on income maintenance programs together with higher state and local budgetary expenditures. The Committee further estimated that in 1975 each one percent increase in the unemployment rate cost the U. S. government $12 billion in potential income tax revenues and $5 billion in social program expenditures, while adding some $6-7 billion to state and local budget costs via revenue losses and added expenditures. There should be no doubt that, given the inflation rate since 1975 and the growth in the labor force, the costs of unemployment this time are likely to be quite high. By comparison, the cost of correcting this condition is not excessive, and the financial and social rewards are enormous.

In fascal year 1980, it cost between $6,000 and $16,000 to place a CETA participant into an unsubsidized job. The average was nearer the lower end, or around $9,100. When you compare this to the cost estimated for keeping a person on welfare for a year ($14,000) and the cost of incarcerating someone for a like amount of time ($21,000 for a youth offender, and $18,000 for an adult) and add to these figures the loss of tax revenues and productivity, it is a relative bargain to enroll someone in a CETA program.

Everyone knows CETA is not perfect. The program has had its share of problems and imperfections since its enactment. We ourselves documented the early problems with targeting and substitution, helped to fight the fight necessary to nake the proper changes and, ultimately got a better CETA program for structurally unemployed people. After nearly seven years and four major legislative amendments, CETA is showing real evidence of being an extremely effective program in battling structural unemployment. Why scrap or gut it, when unemployment is so high?

Without a comprehensive federal employment and training program such as CETA, many people now receiving benefits thorugh the program will inevitably wind up on the welfare rolls or in jail. We should not delude ourselves into believing the private sector is prepared and capable of training and hiring all of these hard-to-employ people. The federal government, as the employer of last resote, must continue to share a significant portion of this responsibility. The consequences of withdrawal are far too grave not to.

Clearly, the vast majority of our people will and should be employed in the private sector. The major focus of economic policy ought to be efforts to stimulate and increase private employment. However, we should not dismiss and exclude the essential role public employment plays during times of high unemployment. We believe it is far wiser to spend funds creating and maintaining employment, than it is to require families to subsist on unemployment compensation and other forms of income maintenance.

PRIVATE SECTOR JOBS

More now than ever, I believe, federal unemployment and training policy needs to address the necessity of greater private sector participation in their programs, if we are ever going to significantly reduce structural unemployment in this country. Today, as you have no doubt heard before, five out of six non-farm jobs in our economy are in the private sector. Over the next decade this ratio will no doubt widen further. The hard-to-employ must therefore look to business and industry for jobs.

Only in the past decade have there been any significant attempts by business and government to develop strategies that align the needs of individual businesses with those of the hard-to-employ. Roughly $90 billion in federal expenditures were made for employment and training programs from 1970-79, but less than eight percent of these expenditures were directed to program activities in the business sector, such as on-the-job training, skills training improvement program (STIP), and other private sector initiatives. Yet, placement rates for program activities in this category have been in the neighborhood of 95 percent. Congress needs to examine the reasons behind the small expenditure for these activities in the past.

Private employer concerns about public employment and training programs need to be addressed. Some of these concerns are the "stop-and-go" nature of funding in these programs to date, the inattention to planning and phasing of program activities, and skepticism about government's ability to enter into a partnership arrangement. I am by no means suggesting that we blindly turn all of our employment and training requirements over to private sector industry. What I am suggesting is that these concerns need to be addressed in the hopes of developing a workable compromise. Business needs to see the benefits that can be reaped by serving the hard-to-employ. Incentives need to be integrated into federal employment and training policies.

TARGETING

Targeting efforts on specific groups and localities is an essential part of a full employment strategy. Efforts must be made to reduce and eventually eliminate the gap between high rates of joblessness suffered by certain subgroups, compared to the rate for the labor force as a whole. In particular, minorities, women and youth suffer jobless rates much higher than those of the overall population. Without improved federal efforts to cope with the special problems faced by these groups, I fear that our society will remain divided along racial and class lines; some groups working, others idle; some groups with hope, others despairing.

I applaud this Congress' recent decision to continue specific CETA programs for disadvantaged youth, rather than allowing them to be folded in with other CETA titles. Minority youth unemployment is a problem of epidemic proportions. Placing an emphasis on this group should be a national mandate, not simply a local option. When young Blacks continue to suffer an unemployment rate two and three times that of their white counterparts, I submit to you it is a national problem, meriting national attention.

FEDERAL/STATE/LOCAL

The present CETA structure embodies a type of block grant approach that calls for joint federal/local responsibility and accountability. In 1973, CETA consolidated most federal manpower programs, yet retained some basic federal standards. During CETA's early years, problems such as the misuse of funds, substitution of funds for other city dollars, nepotism and a lack of federal direction and intervention were troubling to advocates of the program. However, amendments in 1976 and 1978, including a role for a stronger federal presence through increased monitoring and accountability, have made the post 1978 CETA program substantially free of the aforementioned problems. We urge you to pay careful attention to CETA's history in the hope of avoiding some of the mistakes of the past.

There is a continued need to allow flexibility to local program operators who have first-hand knowledge about local conditions and problems. On the other hand, the federal government has developed a wealth of expertise and knowledge in dealing with unemployment problems. We would be remiss if this knowledge was not made available to local prime sponsors, both through assistance and the establishment of well-defined goals and activities for the locality. Careful monitoring and enforcement of federal regulations help to ensure the best use of the public dollars expended.

CETA EXPERIENCE

I believe much can be learned from our experience with CETA and other manpower programs. As you and other policymakers begin considering the reauthorization, the question of CETA's effectiveness as an employment program will certainly be thoroughly scrutinized. I commend to your attention these reports released this spring which illustrate the invaluable role CETA does play. The reports state that CETA enrollees' earnings increase along with the likelihood of future employment. Wages increase by $300 to $400 in the year after the CETA experience. After adjusting for inflation, individuals in a Baltimore survey averaged 16 cents per hour improvement from their pre-program position to their first position, and a 93 cents per hour increase from their pre-program positiom to the job held at the time of the survey. Nationally, the average annual earnings improved from $2,760 in the pre-CETA year to $4,250 in the first post-CETA year, and to $5,350 two years after termination.

Similarly, those with CETA background experience gained greater employment in the months and years after their participation in the program. Two years after leaving CETA, over two-thirds of the people in the national survey were employed. In Baltimore, the proportion of the sample with jobs climbed to 80 percent after five years. Viewed in the context of our country's recessionary economy over the last few years, such job placement figures are all the more noteworthy.

When we hear that the population in state and federal prisons rose by 45 percent between 1973 and 1979, and that the country's largest state prison system in Texas supported a 46 percent increase between 1975 and 1979, we tend to wonder whether the costs in lost productivity, foregone tax revenues, increased unemployment and other public assistance, increased penal, correctional and law enforcement costs, the costs in abandoned innercity areas, and in unemployed, angry young people are worth accepting. It is a sad truth that the social structures which convey the basic values and attitudes necessary to hold and keep a job have collapsed in the many low income neighborhoods of this nation. Society has turned its back on these people, leaving them to face deteriorating housing, inadequate, overcrowded schools, hopelessness and mounting frustration. As this subcommittee begins its deliberations on the reauthorization of CETA, I urge you and you colleagues in the Congress to carefully draw on the valuable experiences this program has brought to so many of those most in need of the services it provides.

DENVER. In consultation with Atlantic Richfield Company, TOSCO Corporation, IBM, and Control Data, the NUC and the Metro Denver Urban Coalition have put together a project to assess the impact of job relocation on minorities in preparation for training the target groups for energy jobs and careers in rural Colorado. The NUC and MDUC are presently seeking funds from the Department of labor, Community Services Administration, and a variety of private corporate and foundation sources.

FLINT. In the spring of 1979, the NUC and the Urban Coalition of Greater Flint were successful in obtaining a multi-year contract to develop and administer the local Private Industry Council. Building on its excellent working relationship with General Motors, the Coalition, through the Private Industry Council, is helping shape numerous demonstration projects with private industry in Flint.

HOUSTON. Following a city-wide conference around the need for improved jobs and education linkages, scheduled for December 1980, the NUC and its local affiliate, the Association for the Advancement of Mexican Americans, will put together a demonstration program based on the recommendations adopted at the conference. Gulf Oil Corporation, CONOCO and other major private sector companies will be asked to participate in the project.

PHILADELPHIA. With the assistance and support of Henkels and McCoy, a cable television operator, the Philadelphia Urban Coalition has developed a program to train and place 1,000 unemployed residents for preparing, installing, maintaining, testing and supporting cable television systems in Philadelphia. The program should be operational early next year, depending upon the timing of City Council's award of franchises in Philadelphia.

ST. PAUL. The St. Paul Urban Coalition and the Community Planning Organization, with the support of the NUC, are working a project to assess local energy-related employment opportunities and strategies for getting economically disadvantaged people into those jobs. Lockheed Corporation and Bank of America worked closely with the Coalition in designating this program.

WHITE PLAINS. The Westchester Coalition received funding this past summer to implement a special training program, in cooperation with Consolidated Edison Corporation, to provide skills training for unemployed people to become employed in gas conversion projects.

Senator QUAYLE. Thank you very much, Mr. Holman.

You talk about rules and regulations that are not just inhibiting to the environment here in Washington, but also in State and local communities.

Mr. HOLMAN. Correct.

Senator QUAYLE. I guess that is what they call the trickle-down process. You know, it starts out here and picks up some bad habits down the road.

Let me just add on to the theme of saying that CETA has really been more maligned than examined. We are in the process of examining; we want to look back and see what worked and what did not, and why. And we want to look forward and see how we can improve the delivery of services to young people and to adults through training opportunities in this country.

Let me just ask you a basic question. I know that your testimony has been progressive and is looking to the good sides of CETA, but for a moment share with us some critical aspects, because there have been, certainly, some things that have not worked in the CETA program. In your opinion, what has not worked?

Mr. HOLMAN. I have with me Bill Kamela, director of our Government Affairs office, and Tom Snedden, who runs our communitywide employment program and also worked at the State government level before coming to us. Maybe Tom would like to address that.

Mr. SNEDDEN. Well, of course, this is pretty much a subjective view, but I think there is a lot of agreement on it, Senator. In looking back over the history of CETA and what has not worked, I would have to say the thing that has not worked best has been the public service employment programs. That is not to say that they could not be made to work more effectively, given proper legislation and proper regulation and proper direction at the State and local levels.

But I think the fact of the matter is that a good concept that was introduced heavily in 1975 was abused significantly and broadly at the State and local levels because there was a lack of legislative and regulatory restrictions on the program. But I think subsequent to the 1978 amendments, when some steps were taken to put a harness on PSE and the State and local governments, it turned out to be a fairly effective program over the last couple of years.

As I look back over the history of CETA and the four broad activities that the program sponsored, the only one I could point to critically—and that was only initially in the program—would be the public service employment program.

Senator QUAYLE. Let me ask the inverse question. As we go through examining CETA it seems to be somewhat of a universal opinion that we are going to change the name of CETA and call it anything but CETA.

What should we not do? What would really be harmful to the urban communities and our cities in this country? There are some ideas that appear to you to have some momentum, but what should this committee and the legislation not get into?

Mr. HOLMAN. I know that there is nothing that is more honored in the breach than targeting. Everybody likes to talk about, but they do not like to do it. I think that targeting is extremely important, and I think it is difficult to do because, let us face it, when you talk about structurally unemployed people, you are talking about people that, first of all, the city and State governments did not want to take on because it was difficult to deal with people who had not had work attitudes and who had less basic skills than they should have had.

But the reason I think that this targeting is important is that if you look at the Philadelphia Electrical Academy, which we have there in our Philadelphia coalition, it is one of the so-called worst high schools in the city. Yet, by targeting on these young men and women who are considered the hardest ones to deal with, they have come up with a 98-percent record of their being either placed in jobs—and this takes place in the classroom with the business people working along with them and with the labor people working along with them.

I think that that targeted approach is the only approach that is going to get some of these people moved into jobs, because the contractors we have talked to have said, "We have a number of ex-CETA workers. Had they not been in this targeted program, we ourselves could not have afforded to take them on and to employ them and train them simultaneously." So, I hope the targeting is kept.

Senator QUAYLE. Would the targeting include setting national standards for employment? How would we go about targeting?

Mr. HOLMAN. I think there is an importance in targeting to locality, and I know the Congress does not like to do this; that is, to those localities that have the highest unemployment and the highest number of poverty-related people. I think you should target to the people where the gap is greatest—the blacks and Hispanics, who have not moved into the workstream, and I would say to simplify the possibilities of mothers who want to go into jobs and really having an incentive to get into these programs and to move off welfare on a permanent basis.

I think that requires careful aiming and targeting. If you throw it out there, what the average community will do is respond to those communities that have the greater political clout. So, you miss these folks.

Senator **Quayle**. Thank you very much for your fine testimony. We are looking forward to working with you and, as we go through this examination, we will be sure to stay in close contact.

Mr. **Holman**. Thank you for starting a year in advance.

Senator **Quayle**. Yes. Thank you.

Next, we have a panel: Ms. Marano, Mr. Garza, and Mr. Frazier. Who do we have? You are obviously Ms. Marano.

Ms. **Marano**. Yes.

Senator **Quayle**. Who is on your left there?

Mr. **Gomes**. I am Anthony Gomes, for Mr. Garza.

Senator **Quayle**. You are substituting for Mr. Garza?

Mr. **Gomes**. Yes.

Senator **Quayle**. And what is the name?

Mr. **Gomes**. Anthony Gomes.

Mr. **Frazier**. I am Mr. Frazier.

Senator **Quayle**. OK. Go ahead, Ms. Marano.

STATEMENT OF CINDY MARANO, PROJECT DIRECTOR, WORK FORCE NETWORK, WIDER OPPORTUNITIES FOR WOMEN, INC., WASHINGTON, D.C.; ANTHONY GOMES, DEPUTY NATIONAL DIRECTOR, SER, JOBS FOR PROGRESS, INC., DALLAS, TEX.; AND GREGORY W. FRAZIER, CHIEF EXECUTIVE, NATIONAL URBAN INDIAN COUNCIL, DENVER, COLO., A PANEL

Ms. **Marano**. Senator Quayle, I am Cindy Marano of the Women's Work Force Network of Wider Opportunities for Women, and I am here this afternoon to talk with you representing women's employment programs around the country. We have joined together, 45 of us, to provide you with our input on what we hope will happen as you reexamine the Comprehensive Employment and Training Act and think about coordinating other sectors of the Federal employment and training systems.

Wider Opportunities for Women is a 16-year-old national nonprofit organization devoted to expanding employment opportunities for women, especially economically disadvantaged women. WOW has worked with the Employment Service, with CETA, and with its predecessor legislation since 1968, and we have operated local and national programs.

Under CETA, we have been also operating a nontraditional work program for economically disadvantaged women here in the District of Columbia.

WOW initiated the Women's Work Force Network in 1978 to provide a vehicle for women's employment programs nationally, and now, together, our network serves about 35,000 women annually who are economically disadvantaged.

In my testimony, I take a look at the question of who is currently most in need in the United States, because it is our concern to insure that whatever employment and training system you either redefine or recreate, does, in fact, target those most in need.

In my testimony, I repeat some statistics that have come out of a study done by the National Advisory Council on Economic Opportunity, looking at who is poor in America today.

After 1964, the study points out, economic growth was responsible for reducing poverty almost wholly among male-headed families. Both minorities and women were virtually unaffected by the trickling down of economic growth into improved jobs and earnings.

To the extent that there have been winners in the war on poverty during the 1970's, they have been male, mainly white. What has been called the feminization of poverty has become one of the most compelling social facts of the decade.

We also talk in our testimony about the increase in female-headed families. It turns out that between 1970 and 1979, there had been an increase of 30 percent in female-headed families. Currently, also, 1 in 3 female-headed families lives in poverty, as compared with 1 in 18 families headed by a male.

The study that I have been quoting concludes that all other things being equal, if the proportion of the poor who are in female-headed households were to increase at the same rate as it did from 1967 to 1977, the poverty population would be solely composed of women and their children by the year 2000.

We speak of these figures, because we believe that the goal of a Federal employment and training system should be to target those most in need and to train them to become self-sufficient in the long term.

Moreover, we believe that targeting these groups—the structurally unemployed—must be the goal of a coordinated federally supported system, if we are to shift the Nation from poverty and government dependence, both matters of concern to the present administration.

We would like to make some specific recommendations, and I have detailed these at greater length in my testimony, but we wanted to be sure that in deliberating a new Federal system you look at a number of issues.

First, we believe that targeting is crucial and that targeting, in order to work, must be monitored. We believe that the disincentives to program operators currently in the CETA system for targeting must be eliminated.

We believe that identification and replication of successful program models that have worked on the targeted population since 1978 need to be done, and that technical assistance to program providers who have not successfully targeted the structurally unemployed is important.

Finally, we believe that a new kind of involvement with the private sector is needed, and I would be happy to answer any questions about these and our other recommendations.

Senator **Quayle**. Thank you very much, and your entire testimony will be submitted for the record.

Mr. Gomes.

Mr. **Gomes**. Thank you, Mr. Chairman.

As previously mentioned, I am Anthony Gomes, deputy national director of SER, Jobs for Progress, a national Hispanic community based organization providing employment and training services in nearly 150 communities, in collaboration with the CETA prime sponsors.

In keeping with the stated intent of these initial hearings on CETA, my comments will touch on three general areas: the objectives of Federal employment and training policy, the methods for carrying out those objectives, and the participation of the private sector in sharing the responsibility of training and employing structurally unemployed workers.

We believe very strongly in having a cohesive federal response to the unemployment situation facing our urban centers, States, and municipalities. As such, in response to the question being raised by this subcommittee—what are the appropriate objectives of employment and training policy—we propose that its primary objective is to reduce the unemployment rate of particular segments of the population, notably the most economically disadvantaged members of our society.

We do so because we see this type of targeting as a more manageable mechanism for the Federal Government to employ and, furthermore, because it allows the Federal Government to monitor more closely the impact of its programs. Likewise, it will also enhance the credibility of the system.

In our view, the more global objectives of reducing the overall unemployment rate, increasing the productivity of our work force, and so on, are better dealt with through programs and systems separate from the employment and training system. We view the Federal employment and training system as a very specific effort aimed at resolving very specific problems. Programs for economic recovery and revitalization, including the economic development of distressed areas, are responsibilities better left to other systems, both private and public, specifically designed to promote these efforts—with the appropriate level of coordination, of course.

If it is accepted that the Federal employment and training system is to maintain its targeting mechanism, a special effort and focus ought then to be placed on the economically disadvantaged, and primarily on young workers. Currently, their unemployment rates have skyrocketted to 19 percent, and, of course, are much higher for minority youth.

Again, in proposing that the national policy on employment and training should focus principally on resolving the structural unemployment problems of this Nation, we further propose that the goal of the national employment and training system is to direct resources to enhance the placement of structurally unemployed workers into unsubsidized private sector jobs; further, that the national policy on employment and training should focus on work-related training as the primary vehicle to successfully achieve the goal of the system.

As such, we profess that an increased emphasis on training for the development of marketable skills, coupled with higher emphasis on placing trainees in unsubsidized private sector employment, ought to be the Federal priority. Hence, the role of the Federal Government in this particular situation becomes vital.

The Federal Government must establish that in participating with the private sector in programs such as partially subsidized on-the-job training, tax relief, and other forms of financial incentives aimed at increasing job opportunities within the private sector, this participation must guarantee that these newly created jobs be filled by economically disadvantaged individuals.

I would like to close this testimony by specifically addressing two questions entertained by the subcommittee; namely, do these programs work, and can a diverse set of programs be coordinated.

In response to the first question, without having to refer to the volumes of statistics compiled on the effectiveness of CETA, I would be safe in stating that the most effective of the CETA programs are those which are comprehensive in their service offerings—that is, providing training and job placement, while specific on whom they serve.

We provide as an example the programs implemented by minority community-based organizations, which have consistently outdone the national CETA average in job placements and cost effectiveness.

Second, with respect to the issue of coordination, we recommend that the first step to be taken is to channel the very services and programs toward the individuals who most need them.

It is essential that the employment and training effort first come to grips with identifying the population to be served. It must then separate those activities associated specifically with job training and those associated with job creation. An aggressive job creation program is mandatory. An equally aggressive job training program designed to train individuals to fill those jobs is likewise crucial in order for this coordinated effort to succeed.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Gomes follows:]

JOBS FOR PROGRESS, INC.

TESTIMONY
ON THE REAUTHORIZATION OF THE
COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

PRESENTED TO:
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE
WASHINGTON, D.C.

JUNE 19, 1981

SUBMITTED BY:
ANTHONY GOMES
DEPUTY NATIONAL DIRECTOR

MR. CHAIRMAN, HONORED MEMBERS OF THIS SUBCOMMITTEE, LADIES AND GENTLEMEN:

WE EXPRESS SINCERE APPRECIATION FOR THE OPPORTUNITY TO SUBMIT THE VIEWS OF SER-JOBS FOR PROGRESS, INC. TO THIS SUBCOMMITTEE ON THE IMPORTANT NATIONAL ISSUE OF THE REAUTHORIZATION OF THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT(CETA).

IN KEEPING WITH THE STATED INTENT OF THESE INITIAL HEARINGS ON CETA, OUR COMMENTS WILL TOUCH ON THREE GENERAL AREAS:

1) THE APPROPRIATE OBJECTIVES OF FEDERAL EMPLOYMENT AND TRAINING POLICY;
2) THE APPROPRIATE METHODS FOR CARRYING OUT THOSE OBJECTIVES; AND
3) THE PARTICIPATION BY THE PRIVATE SECTOR OF OUR NATION'S ECONOMIC SYSTEM IN SHARING THE RESPONSIBILITY OF TRAINING AND EMPLOYING THOSE UNEMPLOYED WORKERS WHO HAVE LITTLE CHANCE OF OTHERWISE SUCCESSFULLY COMPETING FOR JOBS.

BEFORE CONTINUING, HOWEVER, PLEASE ALLOW US TO SHARE AN OVERVIEW OF OUR ORGANIZATION.

SER-JOBS FOR PROGRESS, INC. IS A NATIONAL, NON-PROFIT CORPORATION DEVOTED PRIMARILY TO SECURING EMPLOYMENT OPPORTUNITIES AND UPGRADING THE EMPLOYABILITY OF AMERICAN WORKERS; TO CREATING JOBS BY INCREASING BUSINESS AND ECONOMIC OPPORTUNITIES FOR MINORITY COMMUNITIES; AND TO ENSURING THE OPTIMUM PARTICIPATION OF HISPANIC AMERICANS IN THE SOCIO-ECONOMIC DEVELOPMENT OF THIS GREAT NATION.

JOBS FOR PROGRESS, INC., BETTER KNOWN BY ITS LOGO - "SER" - WAS CREATED IN 1964 BY THE LEAGUE OF UNITED LATIN AMERICAN CITIZENS AND THE AMERICAN G.I. FORUM, THE MOST PRESTIGIOUS HISPANIC CIVIL RIGHTS ORGANIZATIONS IN THESE UNITED STATES. NOW, AS THEN, WE CONTINUE TO BE GUIDED AND SPONSORED BY THESE TWO PROMINENT ORGANIZATIONS.

SER'S WORK IS CARRIED OUT IN NEARLY 150 COMMUNITIES THROUGHOUT THE NATION BY A NETWORK OF INDEPENDENT, COMMUNITY-BASED ORGANIZATIONS. THESE AFFILIATES OPERATE EMPLOYMENT AND TRAINING PROGRAMS, WHICH ARE IMPLEMENTED THROUGH CONTRACTUAL RELATIONSHIPS WITH THE LOCAL CETA PRIME SPONSORS.

WORKING IN COLLABORATION WITH THE MINORITY BUSINESS DEVELOPMENT AGENCY OF THE U.S. DEPARTMENT OF COMMERCE, SER IS ENGAGED IN JOB CREATION ENDEAVORS. THROUGH THESE EFFORTS, SER ASSISTS IN THE ESTABLISHMENT AND EXPANSION OF MINORITY-OWNED FIRMS.

FURHTERMORE, A SOURCE OF PARTICULAR PRIDE AND IMPORTANCE TO SER (NATIONWIDE) IS ITS RELATIONSHIP WITH THE PRIVATE SECTOR. AT BOTH THE LOCAL AND NATIONAL LEVELS, PRIVATE INDUSTRY ADVISORY COUNCILS, KNOWN AS "AMIGOS DE SER", ASSIST IN THE TRAINING AND EMPLOYMENT PROCESS OF OUR CLIENTS. THIS YEAR, OUR NATIONAL "AMIGOS DE SER" COUNCIL IS CO-CHAIRED BY ROCKWELL INTERNATIONAL AND AMERICAN TELEPHONE AND TELEGRAPH.

BECAUSE OF THESE ESTABLISHED RELATIONSHIPS WITH AMERICA'S EMPLOYERS - JUST IN FISCAL YEAR 1980 - OUR NETWORK SERVED OVER 60,000 PEOPLE. SINCE OUR FIRST DOOR WAS OPENED TO HELP STRUCTURALLY-UNEMPLOYED WORKERS FIND GAINFUL EMPLOYMENT, OVER 400,000 HAVE TAKEN THE STEP FROM DEPENDENCE ON GOVERNMENT AID TO ECONOMIC INDEPENDENCE. WE CONSIDER THIS QUITE AN IMPORTANT STEP. AS SUGGESTED IN THE NAME OF OUR ORGANIZATION, WE HAVE INDEED BROUGHT PROGRESS THROUGH JOBS - TO THOSE THOUSANDS OF INDIVIDUALS WE HAVE SERVED.

HAVING PROVIDED BASIC DATA ON OUR ORGANIZATION, WE NOW FOCUS ATTENTION ON THE ROLE OF THE FEDERAL GOVERNMENT IN EMPLOYMENT AND TRAINING.

WE BELIEVE VERY STRONGLY IN HAVING A COHESIVE, FEDERAL RESPONSE TO THE UNEMPLOYMENT SITUATION FACING OUR URBAN CENTERS, OUR STATES, AND OUR MUNICIPALITIES. IT IS IMPORTANT TO KEEP IN MIND THAT LOCALITIES HAVE AND WILL CONTINUE TO LOOK TO THE FEDERAL GOVERNMENT FOR SOME RELIEF IN RESOLVING LOCAL PROBLEMS OF HIGH UNEMPLOYMENT. BUT WE ALSO SEE A NEED FOR THE FEDERAL RESPONSE TO BE FOCUSED MORE SHARPLY.

AS SUCH, IN RESPONSE TO THE QUESTION BEING RAISED BY THIS SUBCOMMITTEE--WHAT ARE THE APPROPRIATE OBJECTIVES OF AN EMPLOYMENT AND TRAINING POLICY--WE SUPPORT THAT ITS PRIMARY OBJECTIVE IS TO REDUCE THE UNEMPLOYMENT RATE OF PARTICULAR SEGMENTS OF THE POPULATION, NOTABLY THE MOST ECONOMICALLY DISADVANTAGED MEMBERS OF OUR SOCIETY. WE DO SO BECAUSE WE SEE THIS TYPE OF "FOCUSING" AS A MORE MANAGEABLE MECHANISM FOR THE FEDERAL GOVERNMENT TO EMPLOY, WHILE ALLOWING FOR BETTER MONITORING OF THE IMPACT OF NATIONAL PROGRAMS. LIKEWISE, IT ENHANCES THE CREDIBILITY OF THE SYSTEM.

IN OUR VIEW, THE MORE GLOBAL OBJECTIVES OF REDUCING THE OVERALL UNEMPLOYMENT RATE, INCREASING THE PRODUCTIVITY OF OUR WORKFORCE, AND SO ON, ARE BETTER DEALT WITH THROUGH PROGRAMS AND SYSTEMS SEPARATE FROM THE EMPLOYMENT AND TRAINING FIELD. SIMPLY STATED; WE VIEW THE FEDERAL EMPLOYMENT AND TRAINING SYSTEM AS A VERY SPECIFIC EFFORT AIMED AT RESOLVING SOME VERY SPECIFIC PROBLEMS. PROGRAMS FOR ECONOMIC RECOVERY AND REVITALIZATION, INCLUDING THE ECONOMIC DEVELOPMENT OF DISTRESSED AREAS, ARE RESPONSIBILITIES BETTER LEFT TO OTHER SYSTEMS, BOTH PRIVATE AND PUBLIC, SPECIFICALLY DESIGNED TO PROMOTE THESE EFFORTS - WITH THE APPROPRIATE LEVEL OF COORDINATION, OF COURSE.

THEREFORE, IF IT IS ACCEPTED THAT THE FEDERAL EMPLOYMENT AND TRAINING SYSTEM IS TO OPERATE THROUGH A MORE FOCUSED MECHANISM, THIS FOCUS OUGHT THEN TO BE PLACED ON THE ECONOMICALLY DISADVANTAGED, PRIMARILY YOUNG WORKERS.

I BELIEVE THE RECORD PLAINLY SPEAKS FOR ITSELF WHEN, AS WE REVIEW THE OFFICIAL STATISTICS, WE FIND EVER-INCREASING HIGH SCHOOL DROP-OUT RATES FOR MINORITY YOUTH, AND AN UNDER-REPRESENTATION OF DISADVANTAGED YOUTH IN VOCATIONAL EDUCATION PROGRAMS. SINCE THE DATA REVEAL SUCH DRASTIC FAILURES, IT CLEARLY BECOMES EVEN MORE IMPORTANT TO HAVE A STRONG AND COMMITTED FEDERAL RESPONSE TO THE PROBLEMS OF DISADVANTAGED YOUNGSTERS AND THEIR OBVIOUS LACK OF PREPARATION FOR THE WORLD OF WORK.

HAVING REFERRED TO THE ROLE OF FEDERAL POLICY, WE NOW ADDRESS THE STRATEGIES FOR IMPLEMENTING THIS FEDERAL POLICY. HAVING PROPOSED THAT NATIONAL POLICY ON EMPLOYMENT AND TRAINING SHOULD FOCUS PRINCIPALLY ON RESOLVING THE STRUCTURAL UNEMPLOYMENT PROBLEMS OF THE NATION, WE MAINTAIN THAT THE GOAL OF THE NATIONAL EMPLOYMENT AND TRAINING SYSTEM IS TO DIRECT RESOURCES TO ENHANCE THE PLACEMENT OF STRUCTURALLY UNEMPLOYED WORKERS INTO UNSUBSIDIZED, PRIVATE SECTOR JOBS, AND THAT NATIONAL POLICY ON EMPLOYMENT AND TRAINING SHOULD FOCUS ON JOB-RELATED TRAINING AS THE PRIMARY VEHICLE TO SUCCESSFULLY ACHIEVE THE GOAL OF THE EMPLOYMENT AND TRAINING SYSTEM.

AS SUCH, WE PROFESS THAT AN INCREASED EMPHASIS ON TRAINING FOR THE DEVELOPMENT OF MARKETABLE SKILLS, COUPLED WITH HIGHER EMPHASIS ON PLACING TRAINEES IN UNSUBSIDIZED PRIVATE SECTOR EMPLOYMENT, OUGHT TO BE THE FEDERAL PRIORITY. HOWEVER, IT IS OF UTMOST IMPORTANCE THAT PROPOSALS AIMED AT PROVIDING INCENTIVES FOR THE PRIVATE SECTOR TO HIRE AND TRAIN ECONOMICALLY DISADVANTAGED INDIVIDUALS DO NOT SIMPLY REDUCE THE TAX BURDEN ON THE PRIVATE SECTOR WITHOUT TAKING MEASURES TO ENSURE THAT SUCH TAX BREAKS WILL RESULT IN TRAINING AND JOB PLACEMENT FOR THE ECONOMICALLY DISADVANTAGED INDIVIDUALS ON WHOSE BEHALF SUCH LEGISLATION IS ORIGINALLY PROPOSED AND IMPLEMENTED.

OUR OWN EXPERIENCE WITH THE PRIVATE SECTOR HAS SHOWN THAT EMPLOYERS ARE HIGHLY RECEPTIVE TO IDEAS AND INNOVATIVE PROGRAMS DESIGNED TO TRAIN HARD-TO-EMPLOY INDIVIDUALS FOR THEIR EMPLOYMENT OPPORTUNITIES. LIKEWISE, EMPLOYERS HAVE ALWAYS BEEN RECEPTIVE TO PROGRAMS AIMED AT INCREASING THEIR BUSINESSES, AND CONSEQUENTLY EMPLOYMENT OPPORTUNITIES IN THEIR FIRMS. YET, WHEN ONE CONSIDERS THE ADDED COSTS ASSOCIATED WITH TRAINING UNSKILLED INDIVIDUALS FOR THE JOBS OFFERED, IT IS EASY TO SEE HOW A COST-CONSCIOUS PRIVATE SECTOR MIGHT CHOOSE THE ALTERNATIVE OF TRAINING INDIVIDUALS WHO ARE NOT UNSKILLED. THEREFORE, IT BECOMES NECESSARY TO FIND WAYS TO REDUCT THE ADDED COST OF TRAINING THE HARD-TO-EMPLOY.

HENCE, THE ROLE OF THE FEDERAL GOVERNMENT IN THIS PARTICULAR SITUATION BECOMES VITAL. IN PARTICIPATING WITH THE PRIVATE SECTOR, THE FEDERAL GOVERNMENT MUST ESTABLISH THAT THESE JOBS BE FILLED BY ECONOMICALLY DISADVANTAGED INDIVIDUALS.

WE CLOSE THIS TESTIMONY BY SPECIFICALLY ADDRESSING TWO QUESTIONS ENTERTAINED BY THIS SUBCOMMITTEE--NAMELY, DO THESE PROGRAMS WORK?...AND, CAN THE DIVERSE SET OF PROGRAMS BE COORDINATED?

IN RESPONSE TO THE FIRST QUESTION--WITHOUT HAVING TO REFER TO THE VOLUMES OF STATISTICS COMPILED ON THE EFFECTIVENESS OF CETA, WE WOULD BE SAFE IN STATING THAT THE MOST EFFECTIVE OF THE CETA PROGRAMS ARE THOSE WHICH ARE COMPREHENSIVE IN THEIR SERVICE OFFERINGS - THAT IS, PROVIDING TRAINING AND JOB PLACEMENT - WHILE SPECIFIC ON WHOM THEY SERVE. EXAMPLES ARE THE LOCAL PROGRAMS IMPLEMENTED BY COMMUNITY-BASED ORGANIZATIONS WHICH HAVE CONSISTENTLY OUTDONE THE NATIONAL AVERAGE IN JOB PLACEMENTS AND TRAINING COST EFFECTIVENESS.

SECONDLY, WITH RESPECT TO THE ISSUE OF COORDINATION, WE RECOMMEND THAT THE FIRST STEP TO BE TAKEN IS TO CHANNEL THE VARIED SERVICES AND PROGRAMS TOWARD THOSE INDIVIDUALS WHO MOST NEED THEM.

IT IS ESSENTIAL THAT THE EMPLOYMENT AND TRAINING EFFORT FIRST COME TO GRIPS WITH IDENTIFYING THE POPULATION TO BE SERVED. IT MUST THEN SEPARATE THOSE ACTIVITIES ASSOCIATED SPECIFICALLY WITH JOB TRAINING AND THOSE ASSOCIATED WITH JOB CREATION. AN AGGRESSIVE JOB CREATION PROGRAM IS MANDATORY; AN EQUALLY AGGRESSIVE JOB TRAINING PROGRAM DESIGNED TO TRAIN INDIVIDUALS TO FILL THOSE JOBS IS LIKEWISE CRUCIAL IN ORDER FOR THIS COORDINATED EFFORT TO SUCCEED.

ON BEHALF OF THE COMMUNITY WHICH WE REPRESENT NATIONWIDE, THANK YOU ONCE AGAIN FOR ALLOWING SER-JOBS FOR PROGRESS, INC., THIS OPPORTUNITY TO PRESENT THIS TESTIMONY.

Senator QUAYLE. Thank you very much.

Mr. Frazier?

Mr. FRAZIER. Mr. Chairman, my name is Gregory Frazier. I am a Crow Indian from the State of Montana. I hope you do not hold that against me. I was born in Indiana, though.

Senator QUAYLE. Where?

Mr. FRAZIER. Richmond, down there in the corn part of the State.

Senator QUAYLE. Great.

Mr. FRAZIER. I went to college there for a couple of years, also.

I am pleased to present this testimony to you on behalf of the National Urban Indian Council concerning employment and training issues affecting off-reservation American Indian and Alaska Native people.

The National Urban Indian Council is a national Indian community-based organization with over 130 organizational affiliates throughout the United States. The goal of the National Urban Indian Council is to promote the social and economic self-sufficiency of off-reservation American Indian and Alaska Native people.

Toward the achievement of this goal, the council provides information and assistance to over 60 off-reservation American Indian and Alaska Native organizations that operate employment and training programs under CETA, title III, section 302(c)(2).

As such, we are acutely aware of the employment and training problems experienced by this segment of our population and are actively involved in the search for solutions to these problems.

I would like to begin by first stating that it is the position of the National Urban Indian Council that current national employment and training policies—specifically, the Comprehensive Employment and Training Act—are sound and have proved successful, given the limitations of their objectives and resources.

This is not to say that such soundness and success have always been the case, nor that there is no room for any improvement. The council and its membership have worked hard in the formation of these policies and do not consider our work complete. However, these employment and training policies are the result of the efforts of many and deserve the Nation's thoughtful and careful consideration.

Currently, over one-half of the American Indian population and Alaskan Native population in this country reside in off-reservation rural and urban areas, and experience an unemployment rate of between 40 and 60 percent. That compares to the 8 percent that we are looking at for the general population, or what I refer to as the green people, in the coming year.

That 40 to 60 percent, by the way, Senator, holds for reservation unemployment rates also. This disproportionately high rate of unemployment is a result of numerous barriers, both real and artificial. Undoubtedly, the most insurmountable of these barriers is the fact that they reside away from the traditional support system networks of the family and the tribe on the reservation, and they lose this in the rural and urban areas.

For many of these individuals, such circumstances were not a matter of choice. Rather, the decision was thrust upon them as a result of Government policies of relocation and termination. Although the immorality of such a policy was realized and eventually abandoned, the migration continues. Most recently, this migration has been a result of a purported increase of employment opportunities and the lure of a better way of life that the cities may have to offer.

According to the statistics recently released by the Bureau of Indian Affairs and the Census Bureau, this "better way of life" now finds 52 percent of the American Indian and Alaskan Native population residing off the reservations. In most instances, off-reservation American Indian and Alaskan Native people are ill-prepared to meet the challenges and demands of employment opportunities.

Low educational attainment, lack of appropriate job skills, racism, and other obstacles impede the attainment of meaningful employment. Any national employment and training policy should have as a priority the reduction of the unemployment rate of the American Indian and Alaskan Native people. Such policies should also endeavor to eliminate the barriers to employment that this population encounters.

It is the position of the National Urban Indian Council that the best method of achieving these policies is through a combination of emphasis on placement in the private sector and the provision of appropriate training or educational programs.

If American Indian and Alaskan Native people are to attain a degree of self-sufficiency, it should be through their ability to fully participate in the private sector.

The ability of Indian and Native American employment and training programs to solicit the involvement of the private sector through wage subsidies, reimbursements for training cash, and tax incentives have proven successful to a limited degree. However, as was previously indicated, some American Indian and Alaska Native people require education and training to improve or acquire skills before they can locate and secure meaningful employment. Ideally, these two thrusts (expanded opportunities for/in the private sector and skills training) would be sufficient methods of attaining sound employment and training policies; however, the conditions experienced in many American Indian and Alaska Native communities, particularly on the reservation, warrant job creation in the public sector. The now defunct public service employment, or PSE portion of CETA may have been ineffective and riddled with abuses by the title II prime sponsors, but these programs did much to alleviate the unemployment rate of American Indian and Alaska Native communities where employment opportunities are scarce and also allowed for experience in a job setting that has added depth to our work force. Therefore, we advocate for the restoration of employment experience, types of programs or similar employment stimulus programs for distressed American Indian and Alaska Native communities.

The issue which I have been addressing and my presence before this subcommittee today, speaks to the need for employment and training policies to be targeted toward particular groups. The alarmingly high rate of unemployment and structural barriers to attaining meaningful employment experienced by American Indian and Alaska Native people warrant the attention of this subcommittee, and any legislation involving national employment and training issues. However, it is our position that American Indians and Alaska Natives do not merely consititute another "particular group." there are numerous trust responsibilities and treaty rights that permeate the relationship between Indian people and the U.S. Government. As such, we welcome the opportunity to speak to you concerning such needs, and sincerely hope they are taken into consideration when developing national policies.

The policies concerning income maintenance and employment and training should be developed so as to complement each other; however the impetus for the development of these policies should be the desire to develop economic independence among income transfer recipients, not a reduction in the cost of such programs. We have all heard the stories of how welfare breeds dependency and indolence. As wards of the U.S. Government for over 100 years, American Indian and Alaska Native people have much to say about the evils of dependency. However, we must be willing to develop policies that will encourage the able bodied to work, and to implement programs that will enable them to secure meaningful employment. Too often the budget cutting rhetoric currently circulating through these halls oversimplifies the situation. The New York Times classified section may be full of job listings, but too many of these are inaccessable to our structurally unemployed.

The historical insensitivity of State and local governments to the needs of American Indian and Alaska Native people, combined with the aforementioned special relationship between the U.S. Government and this population, have resulted in the development of CETA, title III, section 302(c) (1) and (2) programs. These Indian and Native American employment and training programs are administered by the Department of Labor through the Office of National Programs, Office of Indian and Native American Programs. The National Urban Indian Council and its membership have strongly advocated for the maintenance of the integrity of this structure. We believe that the employment and training needs of American Indian and Alaska Native people, in addition to their unique relationship with the Federal Government, warrant the existence of targeted programs to address these needs, and that such programs should be administered at the national level. Increased decentralization and local control of employment and training programs through mechanisms such as block grants may be appropriate for services to the general population; however if history has any indication for the present, as we believe it does, then such programs for American Indians and Alaska Natives are better administered through the present structure.

As was previously indicated, it is our belief that the private sector should play an instrumental role in the design and implementation of employment and training policies. The Federal Government cannot realistically expect to formulate policies concerning the private sector without their active participation. The inclusion of CETA, title VII, or the private sector initiatives program has increased the enhanced viability of the act, and provided important input from business and industry. The only limitation that we have seen in this participation, is title VII's exclusion of off-reservation American Indian and Alaska Native employment and training programs. Currently, only American Indian tribes, Alaska

Native villages and corporations, and Hawaiian Native organizations are all eligible for title VII participation. In the further development of national employment and training policies, as they relate to the private sector, we would urge you to expand the scope of title VII, to include the participation of off-reservation American Indian and Alaska Native employment and training programs, and also the resources available for such initiatives.

American Indian and Alaska Native employment and training programs have had a degree of success in coordinating their efforts with other components of the employment and training system. However, their success has been limited by the reluctance of traditional service providers, that is, prime sponsors, the employment service, WIN, and so forth, to recognize the needs of American Indian and Alaska Native people, and the legitimacy of their programs. There exists a great untapped potential for the coordinated utilization of these programs, particularly as it relates to community economic development, as with the involvement with the private sector, executive or legislative action must be taken in order that this potential be developed for American Indian and Alaska Native people.

Have employment and training programs worked? Our answer is a qualified yes. Yes, to the degree that they have eased the adverse employment conditions experienced by American Indian and Alaska Native people. However, all the good that we have been able to accomplish through CETA seems to have been in spite of the act. We have had to fight for the development most of the programs we now have, and we have had to fight for their success, and we have had to fight for their maintenance. We believe that the culmination of national employment and training policy that the Comprehensive Employment and Training Act represents, is basically sound. There are still fights we must make to improve it; most notable we need to increase the number of participants entering unsubsidized employment, and attempt to make prime sponsors more responsive to the needs of American Indian and Alaska Native people. The National Urban Indian Council is encouraged by this subcommittee's interest and concern for the development of employment and training policies as evidenced by this hearing. We only hope that you recognize the needs of our people, and the viability of our programs.

As was indicated in our opening statements, the employment and training policies developed by this subcommittee are of paramount concern to the National Urban Indian Council and its membership. At our recently completed fifth annual membership conference, our constitutency passed a total of six resolutions concerning these issues. We have attached these resolutions to our testimony in the hopes that they will help the subcommittee in its development of employment and training policies concerning American Indian and Alaska Native people.

[The resolution referred to follows:]

OFFICIAL MEMBERSHIP ACTION

NATIONAL URBAN INDIAN COUNCIL
FIFTH ANNUAL CONVENTION
MAY, 1981

AREA OF CONCERN: Reauthorization of C.E.T.A., Title III, Section 302

WHEREAS; funding for Public Service Employment under C.E.T.A. has been eliminated; and

WHEREAS; American Indians and Alaska Natives are still unemployed, underemployed, and untrained; and

WHEREAS; there is need for stronger marketable job skills training;

THEREFORE BE IT RESOLVED THAT: NUIC work toward reauthorization of C.E.T.A., Title III, Section 302; and

BE IT FURTHER RESOLVED THAT: NUIC also work toward an increase in the funding formula for C.E.T.A., Title III, Section 302 grantees.

OFFICIAL MEMBERSHIP ACTION

NATIONAL URBAN INDIAN COUNCIL
FIFTH ANNUAL CONVENTION
MAY, 1981

AREA OF CONCERN: Off-Reservation American Indian and Alaska Native Employment and Training

WHEREAS; off-reservation American Indians and Alaska Natives suffer from an unemployment rate of between 40% to 60%; and

WHEREAS; a result of the budget cuts by the Congress of the United States, the unemployment rate is expected to increase in both the rural and urban areas amongst American Indians and Alaska Natives; and

WHEREAS; there will be an even greater need for American Indian and Alaska Native training programs, educational services, and job preparedness and placement services;

THEREFORE BE IT RESOLVED THAT: the National Urban Indian Council, within its power, should make strong efforts to insure the inclusion of off-reservation American Indian and Alaska Native organizations and individuals in any further C.E.T.A. legislation or successor legislation; and

BE IT FURTHER RESOLVED THAT: the National Urban Indian Council should advise appropriate officials of the need for continued application of the general and direct employment assistance program of the Bureau of Indian Affairs.

OFFICIAL MEMBERSHIP ACTION

NATIONAL URBAN INDIAN COUNCIL
FIFTH ANNUAL CONVENTION
MAY, 1981

AREA OF CONCERN: C.E.T.A. Title IV Monies

WHEREAS; the majority of the American Indian/Alaska Native population currently resides in off-reservation rural and urban areas; and

WHEREAS; this population suffers from an unemployment rate between 40% to 60%, which demonstrates a need for employment and training opportunities for off-reservation urban/rural American Indian and Alaska Native youth; and

WHEREAS; there exists the potential for the development of such employment and training opportunities for these off-reservation urban/rural youth; and

WHEREAS; C.E.T.A., Title IV has a set-aside for American Indians and Alaska Natives available only to reservation populations, and by law exclusive of off-reservation urban/rural areas; and

WHEREAS; the current funding level for C.E.T.A., Title III, Section 302 (c) (2) American Indian and Alaska Native grantees does not generally permit the development of such off-reservation urban/rural youth programs; and

WHEREAS; there exists extreme difficulty in obtaining C.E.T.A., Title IV funds from urban non-Indian prime sponsors for the development of these American Indian and Alaska Native youth programs;

THEREFORE BE IT RESOLVED THAT: NUIC, within its power, promote the inclusion of Section 302 (c) (2) grantees in C.E.T.A., Title IV by advising appropriate decision-makers, such as Congresspersons, Senators, and Administrative personnel, of the wants and needs of off-reservation urban/rural organizations; and

BE IT FURTHER RESOLVED THAT: inclusion of Section 302 (c) (2) grantees in C.E.T.A., Title IV does not detract from current funding of Section 302 (c) (1) grantees; and

BE IT FINALLY RESOLVED THAT: NUIC, within its power, actively and vigorously promote the continued inclusion of off-reservation grant programs with adequate funding, through mechanisms such as Section 302 (c) (2), in C.E.T.A. legislation or any successor legislation.

OFFICIAL MEMBERSHIP ACTION

NATIONAL URBAN INDIAN COUNCIL
FIFTH ANNUAL CONVENTION
MAY, 1981

AREA OF CONCERN: Budget Cuts

WHEREAS; the current Administration's budget policy includes significant reductions in the federal budget for American Indian and Alaska Native programs; and

WHEREAS; the progress of urban American Indian and Alaska Native people toward self-determined efforts at economic and social self-sufficiency will be sorely undermined and impeded by the termination or reduction of any programs which have assisted our communities toward their goals including, but not limited to, CSA, Legal Service, C.E.T.A., ANA, and IHS; and

WHEREAS; American Indian and Alaska Native communities represent an overwhelming significant proportion of truly needy individuals and families; and

WHEREAS; the federal and state governments have not committed themselves to insuring services to urban American Indian and Alaska Native communities under block grant proposals;

THEREFORE BE IT RESOLVED THAT: NUIC diligently and actively promote an overall awareness of, and sensitization to, the continued needs of urban American Indian and Alaska Native communities, with a particular emphasis on those truly needy; and

BE IT FURTHER RESOLVED THAT: NUIC assist in the development of strategies which will minimize the impact of reduced federal assistance and the proposed block grant program on services to off-reservation individuals and families.

OFFICIAL MEMBERSHIP ACTION

NATIONAL URBAN INDIAN COUNCIL
FIFTH ANNUAL CONVENTION
MAY, 1981

AREA OF CONCERN: Block Grants

WHEREAS; the policy of the Reagan Administration toward increasing block grants to state and local untis of government while decreasing direct categorical funding to American Indian and Alaska Native tribes and urban organizations threatens Indian self-determination and self-sufficiency: and

WHEREAS; such funding presently existing as "block grants" is not filtering into urban Indian centers and state and local government officials are not often sensitive to the needs of American Indian and Alaska Native people, and

WHEREAS; the U. S. government's legal commitment to Indian self-determination is formally announced in P.L. 94-638. the Indian Education and Self-Determination Act; and

WHEREAS; a block grant strategy which allows states and local units of government to make decisions could be detrimental to urban American Indian and Alaska Native organizations; and

WHEREAS; the intent of Congress expressed in P.L. 94-633 should not be voided by budget considerations and government executive office reorganizations;

THEREFORE BE IT RESOLVED THAT: the National Urban Indian Council indicate to various federal offices its opposition to any block grant system which specifically does not include American Indian and Alaska Native set-aside monies; and

BE IT FURTHER RESOLVED THAT: NUIC's elected leadership and its staff immediately inform its membership in detail, regarding the federal legislative process and timetable that affects these federal block grant proposals.

OFFICIAL MEMBERSHIP ACTION

NATIONAL URBAN INDIAN COUNCIL
FIFTH ANNUAL CONVENTION
MAY, 1981

AREA OF CONCERN: Budget Cuts

WHEREAS; the current Administration's budget policy includes significant reductions in the federal budget for American Indian and Alaska Native programs; and

WHEREAS; the progress of urban American Indian and Alaska Native people toward self-determined efforts at economic and social self-sufficiency will be sorely undermined and impeded by the termination or reduction of any programs which have assisted our communities toward their goals including, but not limited to, CSA, Legal Service, C.E.T.A., ANA, and IHS; and

WHEREAS; American Indian and Alaska Native communities represent an overwhelming significant proportion of truly needy individuals and families; and

WHEREAS; the federal and state governments have not committed themselves to insuring services to urban American Indian and Alaska Native communities under block grant proposals;

THEREFORE BE IT RESOLVED THAT: NUIC diligently and actively promote an overall awareness of, and sensitization to, the continued needs of urban American Indian and Alaska Native communities, with a particular emphasis on those truly needy; and

BE IT FURTHER RESOLVED THAT: NUIC assist in the development of strategies which will minimize the impact of reduced federal assistance and the proposed block grant program on services to off-reservation individuals and families.

Mr. **Frazier**. I would also like to add in summary that we do not believe that this is going to be accomplished through block grants. Our organization has experienced the block grant program in the past under title XX, which HHS administers. The off-reservation Indian population in this country just has not fared well under that process.

The National Association of Counties earlier today supported the position that the Indian problem needs to be dealt with separately from however you want to deal with the State governments and the green population's unemployment rate.

Further, this is added to by the fact that there is a Federal relationship that exists between Indians in this country and the Federal Government, and we are not overly excited about having the Federal Government push that relationship down to the State level.

Senator **Quayle**. Mr. Frazier, is there any difference of opinion on the employment and training programs with on-reservation and off-reservation Indians?

Mr. **Frazier**. Is there any difference?

Senator **Quayle**. Difference of opinion on these issues. I know there are differences on other things.

Mr. **Frazier**. As far as I know, the reservation programs feel the same way, and that is that the programs are best delivered through the national office which is currently set forth under section 302, (c)(1) and (c)(2) of the act under title III.

Senator **Quayle**. What about putting all the Indian programs in a block grant? Is there opposition to that, too? We could separate it out, but have all the Indian programs in one block grant.

Mr. **Frazier**. I am not overly excited about it.

Senator **Quayle**. Is there any official position?

Mr. **Frazier**. Well, what we have seen so far——

Senator **Quayle**. You just do not like block grants?

Mr. **Frazier**. The Bureau of Indian Affairs' block grant program munched 10 programs together, cut the amount back 25 percent, and said, "Here, live on that." That is why I am not excited about it. There is not enough there to start with.

Department of Labor programs, in terms of employment and training, could face the same situation, and there is just not enough there now. With a 40 to 60 percent unemployment rate, block-granting all the Indian programs—and that would mean, probably, moving some of the money out of the Department of Labor and giving it to somebody else, and hopefully not the Bureau of Indian Affairs—but I think we would lose that direct relationship with the agency that is dealing with the problems of unemployment and labor in this country.

Senator **Quayle**. Let me ask one general question of the panel. Who should determine the priorities of funding to the structurally unemployed or the skilled trades or the displaced homemaker or the displaced worker?

Where should that determination of priority be made? Should it be made here in Washington, or should it be made at the local and State levels?

Ms. **Marano**. It is my belief, and I believe it would be the belief of the people that we represent, that it has to be made here in

Washington and that targeting, to be effective, has got to be aimed at those who are most economically disadvantaged. That decision is best made here.

Senator **Quayle**. You would prefer that the decision be made here rather than at the local level?

Ms. **Marano**. Yes.

Mr. **Gomes**. I would like to support that and add that the very process that you have established for these hearings brings that necessity forth. It is a national necessity; it is a national problem requiring that a variety of viewpoints be brought forth and then a decision be made at the national level by a national forum such as the Congress.

Senator **Quayle**. It is a national concern—employment and training. I do not think anybody—well, a few people would question it, but let us face it, it is a national concern.

The real dispute, though, that we are getting quite a bit of conflicting testimony on is where the decisions ought to be made. Everyone seems to be for flexibility, but then there are various interpretations of flexibility. We had some testimony this morning that you probably heard. They said, "We want to make that decision in our community based on community needs." That was their opinion.

Your opinion is that it really ought to be on a national basis and that that priority ought to be structured and formalized here in Washington rather than at the local level.

Ms. **Marano**. I think one of the reasons that we support that idea is that if local programs had been hitting the needs of the structurally unemployed and those most in need, we would see them acting more autonomously. We believe that we need some kind of national affirmative action and targeting in order to meet the needs of the people who have the least power in the society.

Senator **Quayle**. Thank you very much for your very fine testimony and your cooperation. We will be working with you—we are just beginning—and hope that you will stay in close communication with us as we examine the employment and training issues in this country.

Thank you.

[The following statement with attachments was received for the record:]

WOW
Wider Opportunities for Women, Inc.
A nonprofit tax-exempt Women's Employment Organization
1511 K Street N.W. Suite 345 Washington, D.C. 20005 (202) 638-3143

Testimony Before the
Senate Subcommittee
on Employment Productivity

Jane Fleming

Wider Opportunities for Women

and

44 Supporting Organizations

June 19, 1981

Senator Quayle and Subcommittee members:

I am Jane Fleming, Executive Director of Wider Opportunities for Women, a 16-year-old national nonprofit organization devoted to expanding employment opportunities for women--especially economically disadvantaged women. Today, I speak also for WOW's Women's Work Force, a national network of local women's employment programs working for placement of women into jobs providing economic self-sufficiency for all women and their children. Many Network groups and other national women's organizations interested in employment have added their names to our testimony today. Others will be submitting written materials or speaking before you at field hearings later this summer. Together, we have long been concerned with the access of women to employment and training programs and the success of those programs in combating the economic inequities facing women across the United States. We have had much experience with the employment and training system as CETA program operators, monitors, researchers, and advocates.

The WOW Experience

We have attached for the record, Mr. Chairman, background materials on Wider Opportunities for Women and its Women's Work Force Network. Many of the groups joining us in this testimony will submit similar written materials for the record. To place our testimony in context, however, we'd like to briefly summarize our experience. WOW has worked with the Employment Service, CETA and its predecessor, as well as other divisions of the employment and training system since 1968. It has administered several million dollars worth of local and national CETA contracts and has served well over 3,000 women in employment and training programs, including female heads of household, welfare mothers, offenders, and handicapped women. It has placed emphasis on women entering nontraditional jobs since the early 1970's. It has also served displaced homemakers.

WOW initiated the Women's Work Force Network in 1978 to provide a vehicle for women's employment programs nationally to work effectively together, to share our successes and failures, and to give us a stronger, more united force in public policy forums. Today the Women's Work Force exists in 25 states and jointly serves about 35,000 women annually. Its affiliated programs are located in women-run nonprofit community-based organizations, centers in educational institutions, in commissions for women, and in a variety of other community settings. Services provided by the programs include career counseling, skills assessment and training, information and referral, job development and placement, follow-up, and advocacy for equity for women. Affiliates are located in rural, urban and suburban settings and emphasize services for low-income and minority women, women who are heads of household, and women who seek to enter nontraditional jobs.

WOW and its Work Force Network have been observing and monitoring CETA since its inception. We have realized its potential for women and criticized the lack of equity to women as a target group. We have involved ourselves heavily in the citizen participation and monitoring efforts suggested in the 1978 Reauthorization and have documented and advocated against its tendency to provide training which reinforces occupational segregation, under-representation of women in services and administration, and its short-term goals resulting in short-term effectiveness.

Today, Mr. Chairman and Subcommittee members, we wish to share with you our vision of what a national employment and training policy should be, how to utilize the experiences of women's organizations and our affiliated program operators in the design of the 1982 policy, and how to ensure that employment and training programs reach the populations who are most in need of services. We believe that those "most in need" includes a disproportionately large number of women.

Who are the "most in need"?

In its report released in August, 1980, the National Advisory Council on Economic Opportunity focuses on poverty and the profile of who is "most in need" in the America of the 1970's and 1980's. Critical Choices for the 1980's discusses the changing face of poverty in the United States and describes the increasing imbalance between those in need and those who benefited during the relative affluence of the 1960's. "After 1964," the study points out, "economic growth was responsible for reducing poverty almost wholly among male-headed families; both minorities and women were virtually unaffected by the 'trickling down' of economic growth into improved jobs and earnings."[1] "To the extent that there have been 'winners' in the War on Poverty during the 1970's," the study continues, "they have been male--mainly white. What has been called the 'feminization of poverty' has become one of the most compelling social facts of the decade."[2] Since the 1960's the number of female-headed families has risen dramatically. Today, more than half of the marriages in the United States end in divorce and the number of teenaged mothers has risen dramatically. Between 1970 and 1979, there has been an increase of 30% in the number of households headed by women. In 1979, 8,456,000 women were the primary or sole support of their families.[3]

The study reveals that currently one in three female-headed households lives in poverty, compared to the one in 18 families headed by a male that is poor.[4] The reasons for such a gap are numerous. Jobs and earnings are key factor. The longstanding wage differential between average male and female earnings remains, with females earning 59¢ to every dollar earned by males. Increased marital dissolution, occupational segregation, inadequate benefits, and the national lack of support services for women with children all contribute.

Critical Choices for the 1980's concludes: "All other things being equal, if the proportion of the poor who are in female-headed households were to increase at the same rate as it did from 1967-1977, the poverty population would be solely composed of women and their children by about the year 2000". [5]

Clearly, women--especially female heads of households--are among the "most in need". Add to this fact the additional employment barriers of race discrimination, age discrimination, discrimination against the "unpaid work" of homemakers, the social barriers facing welfare recipients, handicapped women, and women offenders, and the bleak picture becomes clearer. To overcome such barriers and achieve any measure of economic self-sufficiency, these groups require targeted and specifically designed employment and training services. For this reason in 1978, women's employment advocates worked successfully for the inclusion of women as a target group in the CETA Act, and for the inclusion of a special CETA program for displaced homemakers. Federally-funded employment and training programs are an economic lifeline for those women without access to jobs or further schooling and who must support families while training.

Appropriate Goals

For these reasons, we believe--along with many other groups facing significant employment barriers--that the goal of a federal employment and training system should be to target the "most in need" and to invest in training them to become self-sufficient in the long term. Moreover, we believe that targeting these groups, the structurally unemployed, must be the goal of the coordinated federally supported program if we are to shift the poverty and government dependence which is the concern of the Administration in its plan for economic recovery. The Administration's plan for economic growth through stimulating the private sector may indeed create jobs and increased corporate activity. But it has been argued successfully that this "trickle down" effect has made little or no difference to the structurally unemployed--especially to women and minorities.[6] To achieve long-term success with these populations is both fiscally and socially desirable. Widening the pool of productive workers, expansion of the tax base and thus national revenues, and reduction of the cost to the government of those currently dependent upon public money for income transfers are fiscal and social benefits; but, to accomplish them, the federal government must redefine its employment and training policies to accomplish this long-term goal.

Targeting

To do this, targeting is necessary. Targeting means commitment of resources to those groups most in need, tailoring program activities to meet the specific needs of the groups to be addressed, provision of incentives for effectively servicing the targeted groups, long-term evaluation and assessment based upon serving the targeted group, and a system of compliance mechanisms to enforce the delivery of services to targeted populations by providers, as instructed.

The 1978 CETA Reauthorization began the process of targeting those most in need. We believe this was a major gain and must be maintained.

Strengthened Targeting Needed

Yet strengthened targeting must be part of the 1982 employment and training system if it is to be truly successful. Past performance indicates the women, for example, while targeted in 1978, continue to be underserved or ineffectively served.

The Work Incentive Program, for example, while enrolling 75% female heads of household, gives preference to and does a better job placing its male participants, and places them in jobs with higher wages.[7]

In the recent report, Increasing the Earnings of Disadvantaged Women, the National Commission for Employment Policy published findings that, although improved after the 1978 targeting in the reauthorized CETA, sex equity in CETA programs has not been satisfactorily achieved.[8]

Past Performance

Under CETA Title II, for example, there are currently estimates that in classroom training women are served at greater than their percentage of the eligible population.[9] It is also true, unfortunately, that much of the classroom training provided reinforces occupational stereotypes and prepares women for low-wage, dead-end jobs--primarily in the clerical field. This has been true even though the number of women requesting less traditional placements has been on the rise.[10]

In terms of On-the-Job training, however, also covered under Title II, women have continued to be under-represented even after 1978. In 1979, while 58% of those eligible were female, only 37% were placed in this type of training--the type most often leading to the highest paid jobs acquired under the Title and that with the highest percentage of assured placement. In Public Service Employment positions,(Titles IID and VI) women were notoriously under-represented, although a number of strong models for placing women through public service employment were developed. Numbers of mid-management staffers of non-profit women's programs around the country--including battered women's shelters, rape crisis centers, women's self-help clinics, and women's employment programs--began their careers as public service trainees transferring community volunteer experience into marketable management experience through PSE.

Little has been done to date to document the affect of CETA youth programs upon the employability of young women or on the sex stereotyping in such programs. The Job Corps, on the other hand, which has been mandated by the Congress to improve the ratio of young women served in its conprehensive, residential, and high-cost training, has never approximated its 50% goal for service to young women. WOW and its Network affiliates have met with Job Corps staffers and made recommendations for more effectively targeting young women, but the commitment of the Job Corps to do this must be generated.

Finally, under Title III, targeting of women after 1978 has had some positive results. But the lack of enforcement of the targeting has created services which have not specifically met their needs. Of the 50 contracts awarded in 1979-80, under the Division of National Programs, only 4 were designed specifically to meet the employment needs of women--1.4% of the Division of National Programs budget.[11]

In addition, the work of two pioneering community feminist groups--the Chicana Rights Project and the National Congress of Neighborhood Women--has revealed through the citizen participation process and the courts that many CETA providers have made little or no visible effort to comply with their targeting requirements.

Toward Successful Targeting

In order to remedy the inequities identified above and to target more effectively in the employment and training system being designed, the Congress should create a statute that provides for:

- --Monitoring and enforcement of targeting
- --Elimination of disincentives to program operators
- --Identification and replication of successful program models
- --Technical assistance to train other providers in the use of successful models
- --A new kind of involvement of the private sector.

Monitoring and Enforcement of Targeting

Clearly, in order to have a positive impact on the productivity of the economically disadvantaged, employment and training systems must target services to this group in a consistent manner over time.

Service providers, as well as CETA prime sponsors, must be adequately monitored to make sure that those most in need are those most served. Where it is found that services are inequitably targeted, the system must be able to undertake corrective action to remedy the inequity. Citizen participation in the planning process must be maintained; grievances must be handled speedily; and federal sanctions must be designed so that program providers are financially penalized for non-compliance.

Elimination of Disincentives to Program Operators

The pressure on CETA programs to place as many people as possible as quickly as possible into unsubsidized employment undermines the long-term objective of enabling participants to become and remain economically self-sufficient.

For women, quick placement is most likely to be in a traditionally female, lower-paying job which will only serve to increase women's numbers in the population of the "working poor". This means that, despite full-time employment, their income is so low that many female-headed families must continue to rely on public assistance to meet some portion of their families' survival needs.

Placement in better-paid, stable, skilled jobs--those which women have not traditionally held--requires special, compensatory training. The CETA emphasis on short-term numbers, instead of lasting results, discourages this kind of more intensive, but more successful job preparation.

At present, program operators have few incentives to provide the kind of skills training which will have long-term positive impact on a woman's earnings. Program quality is currently assessed on a cost per participant basis--with the program having the lowest cost per participant being favored. The use of this mode of assessment discourages the adoption of program models which provide comprehensive, job-specific skills training to prepare participants for technical jobs in high-paying growth industries. Such programs do have a higher cost per participant; they also rate higher in terms of positive placements, higher earnings, decreased welfare dependency, and greater job retention.

National standards are needed with which to evaluate not only the short-term cost but also the long-term savings achieved by enabling participants to achieve and maintain economic self-sufficiency.

Other Disincentives

Implementation of successful CETA programs is often made difficult by structural constraints in the CETA system. CETA subgrantees, particularly small community-based organizations, are restricted by unrealistic ceilings on administrative costs, by one-year or shorter funding cycles, and, by the restrictions on follow-up of CETA clients beyond the two weeks immediately following placement.

Length of programs is often restricted in order to keep costs down. However, a short-term program without adequate support services to female participants frequently doesn't meet the long-range objective of participant job retention. Women need information and assistance to solve current and future job-related problems of dependent care, transportation, financial, health and legal issues. Program operators are reluctant to propose longer programs because of competition among vendors for limited training funds.

Another disincenative for program managers is the restriction on time and money to perform adequate program evaluation and follow up on placement. When program operators are forced by budget and contract restrictions to place people quickly into any kind of job and to forego the frills of follow-up, job retention rates go down. Programs are forced to concentrate on those who do not need a great deal of follow-up and thus the structurally unemployed receive less service.

Identification and replication of successful program models

There are currently many programs which do successfully address the employment and training needs of this population, however. These programs can be used as models to overcome many of the particular employment barriers faced by those in the CETA target population.

WOW's own nontraditional training program works in partnership with labor and industry to: (1) identify high-demand jobs which can provide women with income adequate to support themselves and their families; (2) identify the skills needed to fill these jobs; (3) design and carry-out training to provide these job-specific skills; and, (4) assure that program graduates have access to these job opportunities. This model, which has since 1977, has been highly successful in helping, over 500 CETA-eligible predominantly minority adult and teenaged women break through the barrier of occupational segregation and enter jobs in the skilled construction trades, electronics and communications, and electro-mechanics. 83% of the WOW graduates secure unsubsidized employment, and six months after placement, 85% are still in these jobs or have advanced in their field. Another WOW program for deaf women has provided a very successful job readiness and employer outreach model for placing low-verbal deaf women into full-time employment.

There are model programs which have had a track record of successfully providing skills training to female offenders, a population which is usually outside the established employment and training system; model programs for displaced homemakers, for minority women, for rural women, and for battered women. The technical assistance services of these groups should be enlisted in the replication process to avoid repeating errors.

Certainly the experiences of these and other programs in successfully serving the target CETA population should be distilled and their expertise made available to other program operators.

New Private Sector Involvement

Finally, the private sector must play a new and active role in the employment and training process if targeting is to work. The private sector and program providers must work in a coordinated partnership. Employers need to be responsible for identifying the jobs and the skills needed, monitoring the skills training process, and then must be responsible for hiring targeted workers. While a Private Industry Council or a national business interest group can promote such a process, in and of itself, promotion will not achieve the kind of partnership required. Incentives for training programs demonstrate this kind of partnership will be needed. In addition, a strong federal affirmative action stance is crucial. In this sense, an employment and training program cannot operate in a vacuum. Targeted trained workers can be the result of an effective employment and training program, but the program will be ineffective if they cannot be placed in appropriate jobs or be promoted because of the discrimination of the marketplace.

Summary

These are but a few recommendations which women's groups and women's employment programs wish to submit early in your deliberations on the reauthorization of CETA. Throughout the summer and into next year, we will be actively involved in providing additional data on effective programs and suggesting program alternatives.

In conclusion, we urge you to consider the following recommendations:

1. To maintain, refine and strengthen the efforts begun in 1978 to focus the federal employment and training system on the populations most in need through effective targeting.
2. To have participants' long-term economic self-sufficiency as the objective of the federal employment and training system rather than emphasizing quick placement into low-wage, dead-end jobs which do not provide financially for a family's needs and continue dependence upon public assistance.
3. To recognize one significant proportion of women in the category, "most in need" and to implement an appropriate plan to more effectively target women--especially women who face not only sex discrimination but multiple employment barriers.
4. To continue and adequately fund the special target prog[illegible] for displaced homemakers currently mandated under CETA Title III.
5. To maintain the citizen participation processes defined in the 1978 CETA legislation and to enforce these procedures locally.

Summary (continued)

6. To enforce delivery of services by local service providers to representatives of the target groups through financial penalties for non-compliance and monitoring of local grievance processes.
7. To provide targeted services in environments which currently serve and are sensitive to low-income women by community-based organizations, women's centers and neighborhood centers and to make it administratively feasible for such providers to meet the long-term goals of the program.
8. To provide adequate support services (i.e., child care, transportation, etc.) to women participants in the employment and training programs so that they have the opportunity to be trained for jobs which will increase economic self-sufficiency.
9. To establish national standards and to evaluate programs based on the long-term goals rather than upon the quickest return on the employment and training dollar.
10. To identify and replicate model programs which move women into jobs which are economically rewarding and which meet the needs of women with multiple employment barriers.
11. To provide technical assistance utilizing the services of those who have run effective target programs for women so that they may train other providers to replicate the models.

Summary (continued)

12. To provide incentives to program providers which can demonstrate an integral partnership with employers to define the jobs and needed skills, participate in the training process, and hire targeted workers.
13. To ensure that Title III national program funds be used to target more women participants, especially those who face particular employment barriers such as handicapped women, women offenders, women preparing to enter the skilled trades, and women for whom English is a second language.
14. To coordinate with employment and training programs an active national affirmative action strategy, including enforcement of the goals and timetables for women in construction.

Those of us who are represented in this testimony today not only urge you to consider these recommendations but offer our experience, time, and continued assistance in the development of your legislative proposals and in the regulatory process to ensure that such recommendations are implemented. We are committed to reducing and eventually eliminating the "feminization of poverty" in the United States and see this upcoming legislation as a key public policy step in that direction.

SUPPORTING AFFILIATE ORGANIZATIONS

Southeast Women's Employment Coalition
Lexington, Kentucky

Step-Up
Mason, Michigan

Tuscon Women's Commission
Tuscon, Arizona

Wendi and WOW
Cocoa, Florida

Wider Opportunities for Women
Boston, Massachusetts

Wider Opportunities for Work
Evergreen, Colorado

Women and Employment
Charleston, West Virginia

Access Enterprises
Portland, Oregon

Advocates for Women
San Francisco, California

All-Craft Foundation
New York, New York

Alternatives for Women Now
Camden, New Jersey

Baltimore New Directions for Women
Baltimore, Maryland

CHART
Minneapolis, Minnesota

Creative Employment Project
Louisville, Kentucky

Displaced Homemakers Center Project
Raleigh, North Carolina

The Door Opener
Mason City, Iowa

Everywoman's Opportunities Center
Buffalo, New York

Fort Wayne Women's Bureau
Fort Wayne, Indiana

Grow, Inc.
Roanoke, Virginia

Hispanic American Career Education Resources
New York, New York

Job Advisory Service
Pittsburgh, Pennsylvania

Knoxville Women's Center
Knoxville, Tennessee

Metro Center for Displaced Homemakers
Minneapolis, Minnesota

New Employment for Women
Newburgh, New York

YWCA New Jobs for Women
Philadelphia, Pennsylvania

New Options Personnel
Detroit, Michigan

Nontraditional Employment for Women
New York, New York

Non-Traditional Employment Outreach
Indianapolis, Indiana

Nontraditional Job Opportunity
Longview, Washington

Women's Employment Network
Seattle, Washington

Non-Traditional Occupations
Bellingham, Washington

Project Search
Creve Coeur, Missouri

Pyramid
Canton, Ohio

RESOURCE: Women the Untapped Resource
Cleveland, Ohio

Supporting Affiliate Organizations (continued)

Face Learning Center
Largo, Florida

Women's Employment Resource Center
New Haven, Connecticut

Alternatives for Women Now
Camden, New Jersey

Skilled Jobs for Women
Madison, Wisconsin

Women for Racial and Economic Equality
New York, New York

Women's Enterprises
Boston, Massachusetts

SUPPORTING NATIONAL ORGANIZATIONS

National Commission on Working Women
Washington, D. C.

National Congress of Neighborhood Women
Washington, D. C.

National Displaced Homemaker Network, Inc.
Washington, D. C.

Women for Blue Collar Jobs
New York, New York

Women's Equity Action League
Washington, D.C.

FOOTNOTES:

1. National Advisory Council on Economic Opportunity, Critical Choices for the 1980's. August, 1980, page 13.
2. Critical Choices, page 17.
3. U.S. Department of Labor, Bureau of Labor Statistics, Marital and Family Characteristics of the Labor Force. March, 1979, page 51.
4. Critical Choices, page 17.
5. Critical Choices, page 19.
6. Critical Choices, page 13.
7. Lorraine Underwood, The Experience of Women in Federally Sponsored Employment and Training Programs. Urban Institute.
8. National Commission for Employment Policy, Report No. 11, Increasing the Earnings of Disadvantaged Women. Washington, D. C., January 1981, page 91.
9. Increasing the Earnings, page 98.
10. Increasing the Earnings, page 91.
11. Wider Opportunities for Women, "Shortchanged and Slighted II". (To be released Summer, 1981)

WOMEN'S WORK FORCE

FACT SHEET

WOMEN'S WORK FORCE NETWORK

Women's Work Force Network is the advocacy and public policy analysis division of Wider Opportunities for Women, Inc., a national private non-profit organization devoted to improving employment opportunities for women. Network affiliates provide career counseling, access to non-traditional jobs, skills training, job development and placement, and employment advocacy for women in more than 60 communities across the United States.

MISSION

Representing the interests of local groups, the Work Force seeks to develop public policy and to monitor current policies to increase the priority given to the employment needs of women.

Women's Work Force Network has represented the interests of women in the following legislative areas:

- The Comprehensive Employment and Training Act
- The Vocational Education Act
- Title IX
- The Women's Educational Equity Act
- The Federal Budget
- Executive Orders regarding affirmative action

Staff members work in coalition with other national women's and civil rights groups to provide information to Congressional staffs and to clarify the impact on women of various legislative proposals. To keep network affiliate groups aware of relevant federal policy that is being proposed or is under attack, WWF issues public policy alerts and informational materials. When appropriate, WWF undertakes investigative projects to assess how a legislative program is implemented and to evaluate its impact on women. Reports have been issued on Title III of CETA, the local experience of women's programs with CETA, and the effect of programs for women offenders. In addition, WWF has developed monitoring instruments to be used by local groups in assessing CETA services to women.

When there has been a lack of effective implementation of policy, WWF has joined with other sympathetic groups in legal efforts to bring about change. It has participated in administrative complaints against age discrimination in apprenticeships and lack of enforcement by the Department of Labor of goals and timetables for hiring women in the construction trades.

SPECIAL PROJECTS

The Women's Work Force operates projects in three specialty areas: Providing technical assistance to women's employment programs; ensuring maintenance of fair employment practices for women; and monitoring employment and training programs for equitable and effective services to women. Frequently these projects link the national network with affiliate groups in local communities. Current projects include:

- Technical assistance to women's employment programs to improve management practices, fiscal stability and effectiveness in serving low-income and minority women.
- Technical assistance in developing services for women offenders in their transition to the work place and in achieving a firm financial base for these programs.
- Researching the implementation of goals and timetables for women in the construction trades in targeted cities in the U.S.

Women's Work Force Network publishes a bi-monthly newsletter, "Connections" and a National Directory of Women's Employment Programs. For further information or to become an affiliate, write:

Women's Work Force Network
Wider Opportunities for Women
1511 K Street, N.W., Suite 345
Washington, D.C. 20005

Senator QUAYLE. Mr. Granados and Mr. Mitchell.

Three hours ago, I said we would be out of here by noon, and I am not quite there, but we are close.

Mr. Granados.

STATEMENT OF ROGER GRANADOS, VICE CHAIRMAN, NATIONAL FARMWORKER POLICY PROJECT, AND EXECUTIVE DIRECTOR, LA COOPERATIVA CAMPESINA DE CALIFORNIA, ACCOMPANIED BY DIANE MULL, ASSOCIATION OF FARMWORKER OPPORTUNITY PROGRAMS; AND STUART MITCHELL, EXECUTIVE DIRECTOR, RURAL NEW YORK FARMWORKER OPPORTUNITIES, INC., REPRESENTING THE NATIONAL ASSOCIATION OF FARMWORKER ORGANIZATIONS, ACCOMPANIED BY SANDY HARDING, DIRECTOR, NATIONAL FARMWORKER RESEARCH PROJECT, NATIONAL ASSOCIATION OF FARMWORKER ORGANIZATIONS, A PANEL

Mr. GRANADOS. Thank you, Mr. Chairman.

May I introduce Diane Mull, who will be substituting for Mr. Dick Joanis.

We welcome the opportunity to address the subcommittee. Diane and I actually represent two associations that serve farmworkers in 29 States.

Our testimony is drawn out of our experience, and some of our agencies and programs have at least 14 years in administering farmworker programs.

The CETA legislation itself made important advancements in training programs since the days of MDTA.

First, as far as farmworkers are concerned, CETA expanded the existing social welfare approach by entitling farmworkers to employment and training programs. Second, CETA guaranteed farmworkers access to those training resources by establishing Federal set-asides and a national office that would administer those programs.

Let me, at this point, insert, Mr. Chairman, that our two associations and, I believe, also NAFO, the third association represented here, are very much opposed to a block grant approach for farmworkers. I hope you will understand that I am speaking only with respect to the farmworker programs.

The Governor of my own State of California and the Governors of other States as well as the private sector business people that we do business with in training programs also feel that for farmworker programs, the block grant approach would not be the most effective and efficient way to operate.

Our farmworkers represent two distinct groups: those that are migrant and that go from State to State following the planting and harvesting of our crops, many of whom come from the States of Texas, Florida, North Carolina, and Georgia. While some of the Western States may not have that much migration, the second group, our seasonal farmworkers, do move from county to county and from community to community.

The farmworker problems, as we have seen them, are compounded by the lack of services which impact upon their education, upon their health, and upon their housing, all of which have direct implications for farmworker employment and training programs.

Our data shows that American farmworkers are at the lowest rungs of the economic ladder, and let me just give you some quick examples of some of the statistics of our enrollees.

Fifty-nine percent of all enrollees were unemployed at the time of bringing them into our farmworker training programs. Twenty-four percent were underemployed. Incomes are below the Federal poverty guidelines. On the east coast, 53 percent of all the Spanish-speaking are limited English-speaking members of our farmworker population. It is much higher on the west coast and in the State of California.

Our educational levels are fifth, sixth, and seventh grade, for the most part, for our participants. Our young people average a 75-percent dropout rate from our schools and do not finish high school.

The 303 grantees, as we are known, have responded by developing what I believe are the kinds of training curriculums and services that make possible the employment of our farmworkers, both in agriculture and outside of agriculture.

We have an excellent record; some of the best models in the employment and training field are in the farmworker programs. We have testimony from grand juries in California that have investigated various training programs and have gone so far as to advocate, which is unusual for grand juries, that additional resources be provided for our programs because of their exceptional work and the excellent job placement records that they have.

Mr. Chairman, there are four points that I would like to stress. You have a list, by the way, of the industries with which we work in our written testimony.

Senator QUAYLE. Yes. The entire testimony that we have before us will be submitted for the record in its entirety.

Mr. GRANADOS. Fine. If I may, then, the four points I would briefly indicate are:

One, job placement and subsequent job retention must be the bottom line of any employment training program;

Two, a holistic and comprehensive approach is the most effective way to train our farmworker population;

Three, a hands-on training program coupled with necessary remedial education in a nonstructured setting is one of the best ways to raise the skills level of farmworkers;

Four, and finally, industry participation is essential to a successful training program.

Mr. Chairman, you have each of these points expanded upon in our written testimony. My time is up, but Diane will continue with some additional comments, with your permission, from a programmatic perspective.

[The prepared statement of Mr. Granados follows:]

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NATIONAL FARMWORKER POLICY PROJECT

Statement on

EMPLOYMENT AND TRAINING ISSUES

Before the

SENATE EMPLOYMENT AND PRODUCTIVITY SUBCOMMITTEE

June 19, 1981

Presented by NFPP Board Members

Richard A. Joanis Association of Farmworker Opportunity Programs, Pres. Migrant and Seasonal Farmworkers Assoc., Exec. Dir.	Roger Granados La Cooperativa Campesina de California Executive Director

Mr. Chairman, the National Farmworker Policy Project (NFPP) welcomes this opportunity to address the Senate Subcommittee on Employment & Productivity. It is a pleasure to share the benefit of our membership's fifteen years of experience in providing employment and training services to migrant and seasonal farmworkers with you today.

I am Roger Granados and accompanying me is Richard Joanis, Executive Director of the Migrant and Seasonal Farmworkers and President of the Association of Farmworker Opportunity Programs (AFOP). Together, we serve on the Board of the National Farmworker Policy Project, an association that represents two regional federations of CETA Title III, 303 local program operators under contract to the Department of Labor (DOL).

The Association of Farmworker Opportunity Programs, which is headed by Mr. Joanis, has eleven member organizations in 22 states. La Cooperativa Campesina de California, for which I serve as Executive Director, serves seven other states. Our NFPP testimony is drawn from the 303 program expertise of these two major regional associations which share a strong commitment to raising the standard of life for migrant and seasonal farmworkers (MSFW).

Mr. Chairman, as you know Congress first recognized the socioeconomic and employment plight of migrant and seasonal farmworkers almost 20 years ago. In 1973 Congress reviewed and revised the federal response to farmworker problems through the enactment of Title III, Section 303 of CETA, the Comprehensive

Employment and Training Act. This major legislative overhaul identified the unique structural barriers of "chronic seasonal unemployment and underemployment in the agricultural industry and their debilitative effect on the national economy." In so doing, it set forth two basic policy changes. Congress expanded upon the existing social welfare approach by entitling farmworkers to employment and training programs. Moreover, it sought to guarantee farmworker access to such training resources by establishing a federal funds set-aside to be administered through a national office within the Department of Labor.

MSFW CHARACTERISTICS

Migrant and seasonal farmworkers represent two distant subgroups within the general farmworker population. Migrants follow the planting and harvesting seasons, originating in the major homebase states of Texas, Florida, North Carolina and Georgia. They cross state lines following the same routes year after year, in search of agricultural employment. Seasonal farmworkers, many of whom are settled migrants, reside and work in one community, planting and harvesting crops during the agricultural season and seeking alternative employment for the rest of the year. Both groups face the common experience of frequent unemployment and underemployment.

The problems accompanying the MSFW employment experiences are unique. They must spend much of their time and a high proportion of their income seeking employment. Even when employment is found, there is often no job security, due to circumstances beyond their control, such as weather conditions which affect planting and harvesting. These factors result in the MSFW being at the lowest rungs of the economic ladder.

It is difficult for the MSFW to escape the limitations of unskilled farm labor and to enter mainstream employment. Their skills are limited and nontransferable. These handicaps are compounded by the fact that, more often than not, MSFWs are educationally disadvantaged.

Family mobility takes its toll on the education of migrant children. MSFWs experience a school drop-out rate of 75%. Hispanics in our program average a 5th grade educational level; blacks average less than an 8th grade level.

Another problem of MSFWs is the language barrier. Of the Hispanic MSFWs on the East Coast, 53% have limited English speaking ability. On the West Coast, where Hispanics constitute a greater percentage of the MSFW population, the number increases significantly.

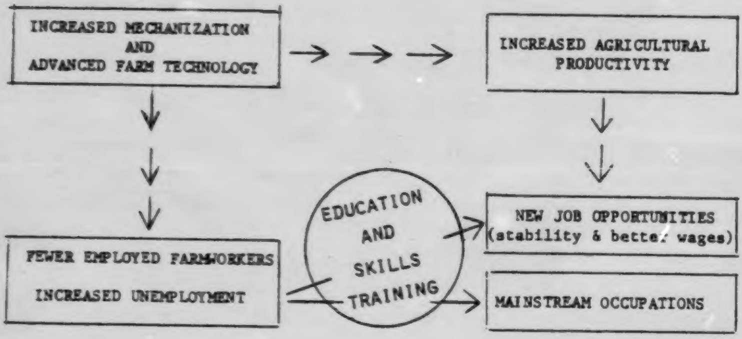
Lack of transferable skills, lack of education, and language barriers make it difficult to break the cycle of poverty. Recent 303 program participants' statistics include the following:

- 59% were unemployed at enrollment
- 24% were underemployed or working less than 32 hours per week
- all have incomes at or below the federal poverty guideline. Example: West Virginia farmworker average income = $1075. In California, 70% earn less than $2000 and 47% earn less than $400 per year.

303 GRANTEE OPERATIONS

In response, the 303 programs have prepared curricula and provide services to overcome these problems. Our employability development plans are tailored to program participant capability and interest. Training design takes into account the local economy and labor market conditions.

With regard for the agricultural community, progress has transformed much of American farming into a highly mechanized and technologically advanced industry. These great changes have displaced unskilled farmworkers and increased the need for skilled farm labor. The 303 program approach to this circumstance is employment and training services to farmworkers who wish to upgrade their skills and remain in the agricultural labor force. The fact being that one-third of all U.S. farms continue to employ hired labor.


INCREASED MECHANIZATION AND ADVANCED FARM TECHNOLOGY
INCREASED AGRICULTURAL PRODUCTIVITY
FEWER EMPLOYED FARMWORKERS
INCREASED UNEMPLOYMENT
EDUCATION AND SKILLS TRAINING
NEW JOB OPPORTUNITIES (stability & better wages)
MAINSTREAM OCCUPATIONS

Of equal import is the 303 experience with non-agricultural industry. Much of our skills training is transferable from one sector to the other. However, not every MSFW can be absorbed by the agricultural labor market on a year-round basis.

Many of our 303s established Industrial Advisory Boards long before they were in vogue, actually some 14 years ago. Operators have continued to utilize the IABs to structure their program training requirements. In addition to joining forces with numerous small, independently owned businesses, 303s have formed successful alliances with some of America's major industrial giants:

Advanced Micro Devices
Acurex Corporation
Aertech Industries
Amdahl Corporation
American Micro Systems
Antekna Corporation
Applied Technology, Inc.
Avantek
Bethlehem Steel
Brown & Root Construction
California Microwave
Castle and Cooke Foods
Catalytic Inc.
Container Corp. of America
Continental Can Co. Inc.
Control Systems Industries
Corning Glass
Duke Power Co.
ESL, Incorporated
FMC
Fairchild Industries
Finnigan Corp.
Ford-Aerospace
Ford Motor Co.
Four-Phase Systems
Georgia Pacific
General Electric
General Motors Corp.
GTE-Sylvania
Helcyon Communications
Hewlett Packard
IBM
Intern, Inc.
Intel Corporation
International Paper Co.
ISS Sperry Univac
Oliver Johnson, Inc.
Lockheed
Measurex
Memorex Corporation
National Semiconductor Corp.
Northern Telecom
Owens Corning Fiberglass
Pacific Gas & Electric
Pacific Tel. & Tel.
Racal Vadic
Raytheon Co.
Rolm Corp.
Sherwin-Williams
Singer-Simulation Link
Signetics
Spectra-Physics
Spectrum Unlimited
Stauffer Chemicals
Syntex
Temple Industries
Tempress Micro Electronic
Terry Industries
Texas Foundary
Tod Shipyards, Inc.
Tri-Delta Engineering
Trigger Manufacturing
Underwriters Labs.
United Technologies
Varian Associates
Versatec
Western Electric
Westinghouse Corporation
Xerox Corporation
Zeta Laboratories, Inc.

NFPP RECOMMENDATIONS

Mr. Chairman, given our many years of experience with MDTA and CETA, Mr. Joanis and I offer the following conclusions and recommendations on federal employment and training policy:

1. Job placement and subsequent work retention must be the bottom line of any DOL employment/training program
2. The most effective training is holistic and comprehensive
3. Training needs to be direct and specific
4. Industry participation is essential to relevant job training.

Job Placement and Subsequent Work Retention must be the bottom line of any employment training programs that include farmworkers. Only in this way can the economic impact be both positive and measurable. Welfare recipients trained and placed can be correlated to taxpayers' savings. Training and placing of farmworkers before they become welfare case loads because of displacement can also be analyzed in terms of costs and savings. Cost effectiveness can be measured by the cost of placement in relation to the length of training and the quality of the job in which a trainee is placed plus retention time.

Such "limited expectations" of placement and work retention means a realistic approach to training for real jobs, jobs where there is a labor shortage. The criteria for evaluation or assessment of a program's success is therefore more easily established. Evaluation criteria could easily include:

a) numbers and quality of placements based on
    1. entry level wage of trainees

2. potential job advancement
3. work retention of trainee

b) Difficulty of training through assessment of farmworker profile
   1. educational background
   2. welfare status
   3. targeted group status
   4. language or physical handicap
   5. seasonal/migrant farmworker status

The most effective training must be holistic and comprehensive. Such an approach requires working with the trainee in a non-fragmented way through a team of instructors, counselors, and job developers who work with a participant throughout his/her training. Administrative coordination and flow of trainees from one agency to another become a complex, burdensome and often unmanageable task. Trainees become potential casualties lost between the cracks of a skills training program, a remedial and/or ESL institution, a separate counseling service, or a state employment service. The farmworker casualty jumps higher under such fragmented approaches. Last, but no less important, accountability for placement and work retention can be more easily determined when the holistic and comprehensive approach is the sole responsibility of one program operator. It is our experience that recruitment, skill training, remedial education, theory, communication skills, human and personal development, motivation and counseling, job concepts and work philosophy, job placement and finally, follow-up family counseling for six months to a year can be best administered through a single entity.

Training needs to be direct and specific. A hands-on training program coupled with necessary remedial education in a non-structured setting is one of the best ways to raise the skills levels of these farmworkers. Participants learn by moving from task to task, problem to problem under a job simulated setting. The very nature of this approach is one that necessitates individualized training which cannot be based on a fixed course length and requires an open-entry and open-exit capability. Pre-testing or educational prerequisites, for purposes of determining eligibility or skill proficiency, does not always work to the advantage of those farmworkers who can not make it in the more traditionally structured public or private education systems.

Participation with industry is essential in order to monitor training curricula and certify training equipment to ensure that trainees are receiving relevant training.

With all the talk about the role of industry in training programs, it is our experience that industry, by and large, is ill equipped to handle the financial, behavioral, and counseling problems of the "typical" farmworker. Current thought assumes that industry is the best trainer of the unemployed poor. Without questioning industry's vital role in the employment and training field, it is a great risk to move toward such a "new" approach at the expense of existing successful operations. We strongly endorse the advisory role of the private sector but find it ironic that the present law does not allow for farmworker training programs to tap into CETA Title VII resources. Some of our grantees have over fourteen years experience in working with industry. They know the vital role it can play in the employment training field, even though present law and regulations do not provide the best approach for private sector involvement.

Mr. Chairman, last year we provided employment and training services to approximately 65,000 migrant and seasonal farmworkers. Despite reduced appropriations and spiraling inflation the overall rate of 303 job placements reflects a steady, but moderate increase. The rate of AFOP placements rose 12% in FY 80; $2,720 was the average cost per placement. La Cooperativa's membership of 303 program grantees increased their placement rate by 11%. Almost 4,000 participants gained employment in the private sector at a Average Adjusted Cost per Placement of $4,072.

When you consider the tremendous price we pay as a nation for unemployment and lost production of goods and services, I think our 303 network lays legitimate claim to being cost effective. This is not to say, however, that the needs and concerns of all MSFWs are being met. For every program participant we service, at least two migrant or seasonal farmworkers must be wait-listed or, worse, denied access because of limited federal financial support. Consequently,

We urge this Congress to renew its commitment to the migrant and seasonal farmworker.

This migratory population of working poor are bound by their lack of skills and the seasonality of their agricultural employment. Their mobility does not conform to governmental jurisdictions--city, county, or even state. Therefore,

The national administration and funding of these categorical employment and training programs through the credible and proven 303 grantees should be continued.

* * *

APPENDIX

Major Categories of Employment & Training Provided by 303 Programs

Agricultural

- Gardening & Grounds Landscaping
- Diversified Crop Farming
- Horticulture
- Plant Farming
- Domestic Animal Farming
- Domestic Fowl Farming
- Forest Conservation
- Dairy & Milking Operation

Benchwork

- Assembly & Repair of Tools
- Metal Unit Assemblers
- Assembly & Repair of Motor
- Assembly & Repair of Elec. Appliances
- Assembly & Repair of Elec. Components
- Sewing Machine Repair
- Fabrication of Electrical Wire
- Shaping Wood Products
- Assembling Wood Products
- Furniture Repair
- Laying out, marking, cutting

Clerical & Sales

- Secretaries
- Typists
- File Clerks
- Stenography, Typing, Filing, ect.
- Cashiers and Tellers
- Computing and Account Recording
- Shipping, Receiving, Stock clerks
- Medical Service Clerk
- Sales Clerks
- Data Entry
- Medical Transcription
- Production Clerk

Machine Trades

- Toolmakers & Related
- Fabricating Machine
- Metal Working
- Mechanics & Repairers--Car & Equipt.
- Industrial Plant Mechanic
- Farm Mechanics & Repairers
- Engine, Transmission Mechanics
- Textile Mechanics & Repairers
- Business, Commercial Repairers
- Utilities Service Mechanics
- Machine Installment & Repairs
- Folding, Creasing, Gluing Paper
- Paperworking Occupation
- Printing Machines
- Wood Machining
- Weaving & Textile Occupations
- Knitting Occupations
- Hosiery Knitting
- Plastics, Synthetics, Rubber

Processing

Dip Plating
Metal Processing
Processing Coal, Petroleum, Gas
Casting & Molding
Extruding
Plastic, Rubber, Paint Processing
Wood Preserving
Leather & Textile Processing

Professional & Technical

Health Care - RN, LPN, Aides & Therapists
Education-Secondary, Preschool,Handicapped
Industrial Engineering
Librarians
Sales - Distribution Management
Mental Health Aides
Electronic & Microwave technicians
Computer Technician
Drafting
Restaurant Managers
Deisel Truck Drivers
Optometric Technician

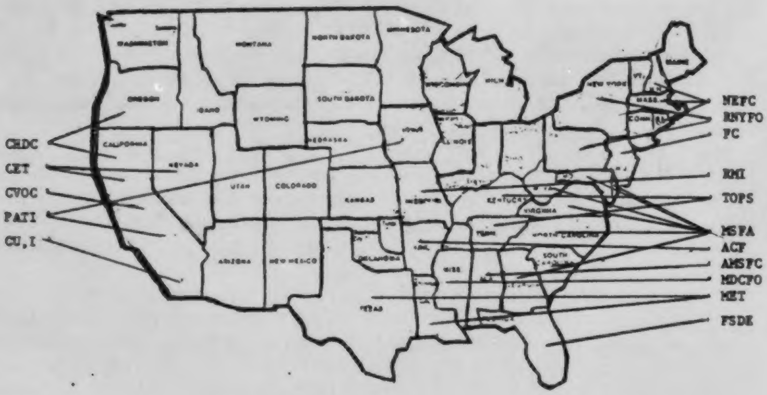
Service

Chefs & Cooks
Housekeepers
Housecleaner
Bath Attendants
Flight Attendants
Shoe & Luggage Repair
Security Guards/Correctional Officer
Custodians

Structural Work

Carpenters
Plumbers
Brick & Stone Masons
Assembly & Repair Communication Equip.
Painters
Telephone Linemen
Elextricians
Air Conditioning service
Trailer Construction
Off Shore Oil Riggers
Pipefitters
Elevator Operators
Sheet Metal Fabrication
Excavating & Grading

TITLE III, 303 PROGRAMS


CHDC
CET
CVOC
PATI
CU,I
NEFC
RNYFO
FC
RMI
TOPS
MSFA
ACF
AMSFC
MDCFO
MET
FSDE
WASHINGTON
MONTANA
NORTH DAKOTA
MINNESOTA
OREGON
IDAHO
WYOMING
SOUTH DAKOTA
NEW YORK
VT.
MAINE
MASS.
CONN
CALIFORNIA
NEVADA
UTAH
COLORADO
NEBRASKA
IOWA
KANSAS
MISSOURI
KENTUCKY
VIRGINIA
TENN
NORTH CAROLINA
SOUTH CAROLINA
ARIZONA
NEW MEXICO
OKLAHOMA
MISS
TEXAS

La Coopertiva Campsina de California

CHDC - California Human Development Corp.
CET - Centers for Employment & Training
CVOC - Central Valley Opportunity Centers
PATI - Proteus Adult Training Inc.
CUI - Campsinos Unidos, Inc.

Association of Farmworker Opportunity Programs

NEFC - New England Farmworkers Council
RNYFO - Rural New York Farmworker Oppty.
FC - Farmworkers Corp. Inc.
RMI - Rural Missouri Inc.
TOPS - Tenn. Oppty. Programs for Seasonal Farmworkers Inc.
MSFA - Migrant & Seasonal Farmworkers Assn. Inc.
ACF - Arkansas Council of Farmworkers Inc.
AMSFC - Ala. Migrant & Seasonal Farmworkers Council, Inc.
MDCFO - Miss. Delta Council for Farm-Worker Opportunities
MET - Motivation, Education, and Training, Inc.
FSDE - Fla. State Dept. of Education

Senator QUAYLE. OK.

Ms. MULL. Senator Quayle, I would like to thank you for this opportunity. I would also like to thank you for your efforts with the youth legislation and representing the youth needs of our Nation.

I come from a perspective of a local program operator before coming with AFOP. Having seen and worked in the local community, we need the support from the national level in dealing with the needs of farmworkers because of their lack of representation in the local communities in developing programs. Farmworkers, to a large extent, are not represented in State plans or regional plans, and therefore would be overlooked in the process of funds being disseminated throughout each State.

We are trying to get a voice across; that the needs of these people traveling from State to State are unique from other populations, and that a special administration from the national level has been effective in administering programs to direct interstate needs as well as the unique political problems which farmworkers have been experiencing.

Those are the kinds of concerns, plus the need that we are experiencing of being able to have the opportunity to access other titles within CETA to administer youth programs, to administer title VII programs, and to administer title II programs, having special set-asides in each of those titles that would allow services for farmworkers. We feel that that would be of a help to us as program operators, to have that access.

That has been a major problem with farmworkers—their inaccessibility to services from the local community and falling through the cracks of traditional service delivery systems.

We feel that through efforts such as this and through the efforts which you have targeted in youth legislation, it would greatly assist our efforts in administering programs to our people.

We involve farmworkers in our planning of our programs, and I think that is shown through the fact that better than 33 percent of our current employees are former farmworkers. They have input to us to tell us how to effect a service delivery system that a participant really needs.

Thank you.

[The prepared statement of Ms. Mull follows:]

Ms. Mull. Mr. Chairman, my name is Diane Mull; I am the Director of the Association of Farmworker Opportunity Programs. I would like to thank you for this opportunity, and for your efforts with the youth legislation, representing the youth needs of our nation.

I am a former administrator of an employment and training program within several states before working with AFOP. I have worked in a rural community; I have seen the needs of farmworker: they are the under-educated and underemployed members of the labor force who need support from the national level. Farmworkers, to a large extent, are not represented in state or regional plans for many state agencies or planning groups, and therefore are overlooked in the process of funds and programs being disseminated and administered throughout each state.

We are trying to get a point across; that the needs of our people traveling from state to state, performing a service which benefits us all, are unique from other populations: having no local or state representation, they thus require special administration from the national level. This approach has been effective in administering programs to direct interstate needs, as well as meeting the unique political problems which farmworkers have been experiencing for decades and Congress addressed in the current employment and training legislation.

Because of the interstate and intrastate nature of the farmworker population, both migrant and seasonal, farmworkers have fallen through the cracks of traditional service delivery systems. Services that may meet the needs of other populations who have transportation, who do not work from sun up to sun down, who are residents of a state or locality and are visible in the community, who are eligible for unemployment, minimum wage or receives fringe benefits, are inaccessible to a majority of our farmworkers.

These are only a few of the unique characteristics which make farmworkers inaccessible to many employment and training programs which do not have a viable outreach program component. Farmworkers are utilized to plan and establish the priority of the programs which are developed to meet their needs; an average of 33% of our staff are former farmworkers.

The current farmworker organizations in our membership, consisting of twenty-two states, have been effective in providing employment and training services to farmworkers with an average educational level of sixth grade, an average of 53% of the Hispanic population having a limited English speaking ability, 66% high school drop-outs, all unemployed for an extended length of time during the year because of the seasonal nature of their employment resources, with limited skills that are predominately non-transferable. It is important to remember that all the persons which we serve have an income below the poverty level and have expressed a desire for assistance and help to upgrade their circumstances. We estimate that there are 1,656,846 farmworkers within our twenty-two states, no full-scale attempt has been made to accurately count the number of farmworkers who are in poverty. Funds currently allocated to serve farmworkers are only 1% of the current employment and training budget.

Some of the benefits that our programs have been able to provide as a return for the monies allocated to serve the hardest-to-employ population are: for this last year of operation under the current employment and training legislation, AFOP members have served 53,262 migrant and seasonal farmworkers; 6,257 were placed on full-time unsubsidized employment at an average cost of $2,270 per placement; the gross annual income produced by those farmworkers now on full-time employment equals $58,600,000 with an annual income of $9,360 compared to the previous poverty level status; the federal and state taxes paid by these now full-time employed workers equals $5,700,00 or so resulting in a return for CETA investment of 70%.

The effectiveness of our programs can be enhanced and transferred if given the access to provide services to farmworkers through set asides in all programmatic employment and training legislation titles. That coupled with the national administration of the programs for farmworkers, and the efforts which you have targeted in youth legislation would greatly assist the effective programs to meet the special needs of migrant and seasonal farmworkers. Thank you.

Senator QUAYLE. Thank you very much.

Mr. Mitchell.

Mr. MITCHELL. My name is Stuart Mitchell and I am the executive director of Rural New York Farmworker Opportunities. We operate employment and training programs in New York and in Pennsylvania.

With me today is Sandy Harding, who is a staff member of our national association, called NAFO—the National Association of Farmworker Organizations. NAFO has been in existence since 1973 and represents many of the farmworker-governed organizations from throughout the country.

We also have submitted written testimony that I will briefly summarize.

Senator QUAYLE. It will be submitted in the record in its entirety.

Mr. MITCHELL. Thank you.

As you well know, the background of CETA, title III, section 303, was initiated when CETA was originally initiated in 1973. It had had at least 10 or 15 years of prior experience in the Federal Government in their funds serving migrant and seasonal farmworker programs through OEO previous to that time.

There is very strong language in the committee reports and in the congressional legislation that mandates a national office; deals with the issue of chronic, seasonal unemployment and underemployment; addresses the special nature of farmworker employment and training problems; and talks about the special needs of migrant and seasonal farmworkers to be served through organizations that they control.

As we have already stated this morning, we agree that that language needs to continue in any consideration for future programs for the employment and training needs of farmworkers.

The role of agriculture is a very important factor to consider when we think about migrant and seasonal farmworkers. Agriculture, by its very nature, is seasonal; it creates tremendous instability in the labor force, and particularly the unskilled labor force that we represent.

In addition to that, the increasing mechanization which is becoming stronger and stronger in the industry, the large influx of undocumented workers and programs such as the H-2 programs, the large pool of unskilled workers, and the fact that the agriculture industry has a very strong interstate and, in fact, international market competition, all lead to tremendous problems confronting laborers in the agriculture industry, so much so that the hired farmworker in New York State makes one-half that of the industrial worker in New York State. And I think we could find that that is true in figures from throughout the country.

Various statistics show that for 250 days of employment, the income in 1979 for a farmworker was $2,489. We have done a survey in New York that shows an average family income of a family of about 2.7 people of $2,900 in New York State.

There has to be a response to the problems confronting poverty and farmworkers, and poverty is very serious among the farmworker community in this country. That brings in the role of the private, nonprofit farmworker organization that we represent.

We are unique because we represent farmworkers themselves on our board of directors. They are participating in all of our decisionmaking processes. They allow us to work with the public as well as the private sector.

Currently, in this country there are seven State agencies and 31 private, nonprofits working with migrant and seasonal farmworkers, as funded through CETA. We have recently had a survey done of our programs and it has shown that all of us throughout the country have overachieved in every service that we have contracted for through the Department of Labor. We have shown that the costs are lower than prime sponsor delivery systems in that process.

Our systems are primarily multiservice in nature. We involve programs in education, advocacy, youth programs, housing programs, alcoholism counseling services, and emergency services—all integrated into a farmworker delivery system.

We work with farmworkers in both the user States, which we represent in New York, and home-based States, and show the interconnection between the streams that flow between the South and the North throughout this country. That is a very important role of nationally funded programs so that we can work with farmworkers regardless of where they are originating and where they are located in terms of their employment opportunities.

We are part of the private sector. We are a private corporation; we work very closely with agriculture industry representatives, and in our case, we have them on our board of directors. We work with State agencies; we have them on our board of directors.

We have been able to show that there is a strong link between the private service delivery system and services to migrant and seasonal farmworkers. We believe that the orientation from the Federal Government has to be targeted to protection of services to farmworkers, insuring that all interested groups, including industry, participate in how those services are delivered.

We appreciate the opportunity to bring these points to your attention today.

[The prepared statement of Mr. Mitchell follows:]

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1332 New York Avenue, N.W., Washington, D.C. 20005
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REMARKS ON
EMPLOYMENT AND TRAINING ISSUES

BY

THE NATIONAL ASSOCIATION OF FARMWORKER ORGANIZATIONS

BEFORE

THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
U.S. SENATE

JUNE 19, 1981

MR. CHAIRMAN:

I am Stuart Mitchell, Executive Director of Rural New York Farmworker Opportunities, Inc., and am here today representing the National Association of Farmworker Organizations (NAFO). Accompanying me is Sandy Harding, a staff member of NAFO.

Incorporated in 1973, NAFO is a national membership organization, comprised of farmworker-governed, community-based organizations. NAFO's members provide a wide range of services to the nation's migrant and seasonal farmworker population -- twenty-five of whom (including Rural New York Farmworker Opportunities, Inc.) currently administer CETA, title III, section 303, farmworker employment and training programs. On behalf of NAFO and its membership, I wish to thank this Subcommittee for requesting our comments regarding national employment and training policy.

Through remarks presented today, we hope to briefly address all issues identified by the Subcommittee as pertinent to the development of new employment and training policy. Our responses will reflect our own area of expertise -- employment and training among the farmworker population -- and will also reflect a basic premise that migrant and seasonal farmworkers, as a particular group within the labor force, should indeed be the concern of national employment policy.

BACKGROUND OF THE CETA, TITLE III, SECTION 303 PROGRAM

In hearings before this Subcommittee on June 11 Assistant Secretary of Labor, Albert Angrisani, testified, that in his view, the 1973 Comprehensive Employment and Training Act was both workable and manageable, with clearly defined goals and objectives and with a well-defined management system within the Department of Labor.

Congress' concern for employment and training opportunities for migrant and seasonal farmworkers was part of that original law. In fact, the Senate Committee on Labor and Public Welfare stated the following in its 1973 Committee Report, No. 93-304.

> Hearings by this Committee have shown that, while the American economic system has worked reasonably well for most persons, it has abysmally failed the migrant farmworker. In fact, the migrant is practically excluded from the mainstream of our economic system. He is only a limited participant in manpower programs today, and his power to participate, in effect, or improve present manpower development and training programs is severely restricted.
>
> Migrants have little income, their ability to earn is impaired, and their stream of earnings is sporadic and uncertain. They even lack or are denied the ability to control their income. Unemployment is high, the subemployment and underemployment are pervasive. Their ability to increase their economic power is restricted. Information about jobs is limited and faulty; skills and educational and motivational levels are low. The demand for their services in agriculture is diminishing due to developing technology and mechanization. Benefits of government programs designed to raise income and make it more certain now and in the future are limited or denied.
>
> The bill by earmarking funds will assure an opportunity for the one million persons who are members of migrant and seasonal farmworker families to obtain a fairer share of our Nation's efforts to permit and encourage the maximum development of their human resources. It will guarantee an equitable allocation of funds for migrant

> manpower programs. *Because of the interstate character of this problem, it is especially important to have a responsibility clearly placed at the Federal level with which public and private groups throughout the Nation can work* (our emphasis added).

Congress mandated a national focus and national administration of the farmworker employment and training programs based on overwhelming evidence that migrant farmworkers needed a nationally coordinated farmworker policy, as well as a clear understanding that the employment and training needs of an interstate population could not be met through traditional manpower programs.

That mandate has consistently been reinforced by Congress since its development of the comprehensive law in 1973. Title III, section 303, of P.L. 95-524, CETA Reauthorization of 1978, states, in part:

> (a) The Congress finds and declares that —
>
> "(1) chronic seasonal unemployment and underemployment in the agricultural industry, substantially affected by recent advances in technology and mechanization, constitute a substantial portion of the Nation's rural employment problem and substantially affect the entire national economy; and
>
> "(2) because of the special nature of farmworker employment and training problems such programs can best be administered at the national level.
>
> "(b) (1) The Secretary shall meet the employment and training needs of migrant and seasonal farmworkers through public agencies and private nonprofit organizations, including, but not limited to, programs and activities carried out by prime sponsors under provisions of this Act, as the Secretary determines have an understanding of the problems of migrant and seasonal farmworkers, a familiarity with the area to be served, and a capability to administer effectively a comprehensive employment and training program for migrant and seasonal farmworkers.
>
> "(2) Programs supported under this section shall include, but not be limited to, employment and training in traditional as well as newly developing agricultural occupations and related assistance and supportive services.

The Office of Farmworker and Rural Employment Programs (OFREP) within the Department of Labor administers the present program, providing a focal point for coordinating the farmworker employment and training programs and providing a farmworker-oriented approach in evaluating the CETA 303 programs. While community-based organizations have, at times, had differences with the Department of Labor regarding the Farmworker Employment and Training Program, the basic principle of national administration for these programs has never been challenged by farmworker organizations.

The Department of Labor's Farmworker Employment and Training Program represents the federal government's single largest response to the needs of migrant and seasonal farmworkers. In 1980 $69.5 million was allocated by formula to the states and administered by thirty-one (31) private nonprofit organizations and seven (7) state agencies. Current administration of the program allows for the necessary flexibility in the inter-state and inter-regional coordination in program planning, delivery and referral to the mobile population.

SPECIALIZED EMPLOYMENT & TRAINING NEEDS WITHIN THE MIGRANT AND SEASONAL FARMWORKER POPULATION

Over the years, the plight of the U.S. farmworker, particularly the migrant worker, has been brought to public attention with special force. Edward R. Murrow's Harvest of Shame, the 1970 NBC White Paper, Migrant, and the recently aired follow-up Migrants: 1980 described with sobering accuracy the conditions of the migrant lifestyle. Problems facing the domestic farmworker have consistently been so significant and unique among the U.S. working force that the media frequently finds opportunities to air specials. While each documentary produced a public outcry and a federal response which has been in existence since the early 1960s, conditions continue to exist within agricultural labor which warrant the special attention of the federal government.

The USDA Economic Research Service's The Hired Farmworking Force Survey of 1979 , in fact, documents the most recent average earnings within agricultural labor for 250 days employment and over as $2,489. The most recent available data from Social Security (1977) reflects that 1,716,000 farmworkers in the U.S. (whose employers reported their earnings to Social Security) received an average annual earnings of $3,000 or less. Rural New York Farmworker Opportunities, Inc.'s own sample of its 1980 CETA 303 enrollees reflects an average family income of $2,932 for 2.79 family members.

National statistics continue to indicate a disproportionately higher infant mortality rate and general mortality rate for the farmworker population, along with critical needs in housing, education, health, nutrition, etc. The President's Commission on World Hunger stated in their 1980 report that "Migrant and seasonal farmworkers may constitute the most economically deprived group of working people in America today ... the health profile of this population reads like a description of a developing nation" (pp.160).

The needs of farmworkers are an inherent by-product of the agricultural employment system which fosters an oversupply of unprotected workers. Mechanization has displaced thousands of U.S. farmworkers in the past decade. Wages of U.S. farmworkers have been shown to be depressed in states which heavily use the Department of Labor's H-2 Program, allowing the importation of up to 30,000 foreign, temporary agricultural workers each year (46 Federal Register, 18,991). Up until the current season, 10 and 11 year old children were allowed to hand harvest crops in fields treated with pesticides known to cause cancer and genetic mutations. The Administration's recently announced decision to initiate a 50,000 guest worker program with Mexico will bring more workers into the agricultural labor market -- a market which contains a current unemployment rate of 10.8% (Bureau of Labor Statistics' "January 1981, Employment & Earnings Report").

Employment and training opportunities for those agricultural workers who choose to enter an alternative labor market is clearly a viable and necessary focus within national employment and training policy. The necessity for a farmworker employment and training program is as necessary today as during Congress' development of CETA in 1973; the flexibility in administering a national program to serve an inter-state population is also an integral factor in providing employment and training among farmworkers in the 1980s.

THE ROLE OF THE PRIVATE NONPROFIT ORGANIZATION IN COMPETING FOR AND ADMINISTERING EMPLOMENT & TRAINING PROGRAMS FOR FARMWORKERS

The Farmworker Employment and Training Program is highly unusual, if not unique, within CETA and the federal government as a whole -- grants are awarded on the basis of competition between private nonprofit organizations, prime sponsors and public agencies. No presumptive funding exists within the CETA, title III, section 303, Program. And as stated earlier, the current two-year grant cycle is comprised of thirty-one (31) private nonprofit organizations and seven (7) states agencies as grantees.

Many of the private nonprofit organizations which administer the CETA, title III, section 303 are farmworker-governed, community-based organizations which provide a range of comprehensive services to the migrant and seasonal farmworker population, including health, education, housing, nutritional and emergency energy and food assistance -- supportive services which are critical to employment and training efforts, as well as to the farmworker who chooses to remain within agriculture, either upgrading his/her skills in agricultural employment or attempting to improve the agricultural employment lifestyle itself. Representative of the farmworkers in their states, the farmworker organizations are also equipped to provide the bilingual and bicultural services needed by the various ethnic populations within agricultural labor. Over the years, the farmworker organizations have developed regional and national coalitions to respond to the needs of the farmworker population.

Compiled by One America, Inc. for the Department's Office of Farmworker & Rural Employment Programs, the following chart summarizes the U.S. total performance of the Farmworker Employment and Training Program through an analysis of grantees' second quarter reports of the current fiscal year. Actual performance and expenditures are compared with the planned provision of services and estimated cost. In reviewing the chart, two patterns are very obvious -- in all but one category, the current grantees' overachieved their goals in the actual provision of services and, in all categories, the actual cost of providing services was far lower than the planned estimates.

NATIONAL SUMMARY OF PARTICIPANTS AND EXPENDITURES
SECOND QUARTER

ACTIVITY		U.S. TOTAL	
		PARTICIPATION	EXPENDITURES
TOTAL PARTICIPANTS	planned	55220	$43,128,687
	actual	58890	38,818,916
	percent	107%	90%
CLASSROOM ACTIVITIES	planned	9670	20,698,600
	actual	9869	19,453,204
	percent	102%	94%
ON-THE-JOB TRAINING	planned	1705	2,939,726
	actual	1459	1,620,938
	percent	86%	55%
WORK EXPERIENCE	planned	1670	4,756,251
	actual	1706	3,732,511
	percent	102%	78%
SERVICES	planned	85274	14,981,411
	actual	94017	13,366,712
	percent	110%	89%
SUPPORTIVE SERVICES	planned	63018	5,066,464
	actual	67214	4,376,207
	percent	107%	86%
EMPLOYMENT AND TRAINING	planned	21939	9,954,501
	actual	23975	9,013,968
	percent	109%	91%

(The "Services" category represents the combined total of "Supportive Services" and "Employment & Training Services". Supportive Services represent health and medical service, child care, transportation, emergency assistance, relocation assistance, residential support, nutritional services and legal services. Employment & Training Services represent orientation, counseling, job development, referral, job placement and follow-up).

DELIVERY OF EMPLOYMENT & TRAINING SERVICES TO FARMWORKERS IN "HOME-BASED" v. "USER" STATES AND THE ACCOMPANYING NEED FOR BOTH INTER-STATE & INTER-REGIONAL COORDINATION AND REFERRAL

Geographic and climatic conditions within agriculture itself, obviously reflect the availability of employment within agriculture. The availability of agricultural employment, with all of the variables which may influence it, in turn, determines patterns of migrant labor. While three migrant "streams" have been delineated over the years-- the West Coast, Midwest and East Coast -- these patterns of migrant labor are by no means static. In the past year alone, variables such as the volcanic eruption in the Northwest, drought and heat crises of the Midwest, Southwest and South, the influx of Cuban and Haitian refugees, and Florida's citrus freeze have dramatically influenced the availability of agricultural employment, and, hence, the migrant patterns within the U.S. The same variables which affect agricultural employment and the presence of farmworkers in an area at a given time, demand that all services to the population (including employment and training) be administered in such a way as to be flexible to meet the changing needs of the population.

Employment and training services among the population will also demand flexibility between "home-based" and the "user states" (states where the workers are employed for varying lengths of time but are not residents). For continuity of services, the agricultural lifestyle will necessitate both inter-state and inter-regional coordination and referral.

The Illinois Migrant Council's Youth Project illustrates the innovative and workable approaches which are possible through a system of administration which allows the flexibility to incorporate inter-regional coordination and delivery. The project was initiated in 1979 as a response to the needs of farmworker youth, residing in Illinois and other Midwestern states during the summer months. Attending school in their home-based state of Texas from October through April of the school year, the farmworker youth had no incentives for attending school during the school months in which they were employed in the user states -- the Texas school system evaluated the youths' performance, based only on the curriculum covered during the months when school was actually attended, and the Texas school system would not honor attendance in an Illinois school for credits toward graduation.

Through their project the Illinois Migrant Council works with farmworker organizations in Indiana, Ohio, Wisconsin, Minnesota, Iowa and Texas, as well as with eighteen (18) different school districts in the state of Texas to assure continuity of education for the farmworker youth. Each of the 18 school districts in Texas use a different educational curriculum and maintain separate criteria for graduation, but with their cooperation, Illinois Migrant Council and the other participating farmworker organizations in the Midwest are able to provide classroom training to the farmworker youth, using the curriculum and learning materials which the youth would use in their individual Texas school district. Work experience in non-agricultural employment is also made available to the student -- upon the condition that the student attends classroom training.

The Midwest Association of Farmworker Organizations (MAFO), a coalition of farmworker-governed organizations in the Midwest, uses a similiar innovative approach in the administration of the CETA, title III, section 303, Program. MAFO's Coordination and Referral Project was developed to increase technical assistance exchange among grantees in program development and design, training modules and inter-state and inter-regional coordination. In addition, the project is developing:

- correlative information systems bulletins, pamphlets and booklets in each participating state;
- member technical assistance exchange in fiscal management, program assessment, monitoring and evaluation, staff development, and personnel management;
- a system of cost-sharing among the membership in resettlement and training expenses among mutual clients; and
- a system of inter-state and inter-regional coordination and referral for improved service delivery among the home-based and user states.

THE ROLE OF SUPPORTIVE SERVICES TO EMPLOYMENT & TRAINING AMONG FARMWORKERS

It is NAFO's position that supportive services are inherent to a national farmworker employment and training program and should continue to represent an integral component in the development of any new policy. The demand for supportive services is particularly critical in user states where the farmworker family is not viewed as a state resident or constituent and where scarce state resources are not likely to be used to assist the temporary resident. A population whose geographic location is most often in rural, isolated areas, supportive assistance may not be available through the traditional private or public systems. Supportive services to the entire family will be particularly key in areas where program participants are away from extended family and community supports, as well as within areas which are not receptive to their bilingual and bicultural needs.

By nature of their role within the farmworker community, the farmworker-governed organizations which administer employment and training programs must respond to the needs within the agricultural employment force. In fact, the programs serve as a barometer to the changes within the agricultural industry. The same examples identified previously as affecting agricultural employment -- volcanic eruptions, droughts, influx of Cuban and Haitian refugees, etc., etc. -- are the very problems which the farmworker organizations are forced to respond to within their communities, states and regions.

In addition to alternative employment and training, a second goal within the Farmworker Employment and Training Program is to provide "supportive services necessary to improve the well-being of migrants and other seasonably employed farmworkers and their families who remain in the agricultural labor market" (Federal Register, May 25, 1979, Sec. 689.101 (b)(1) and (2), pp. 30596). Improvement of the skills, income and living conditions of domestic farmworkers is a viable objective for workers within their current employment force, stabilizing their employment, protecting them from the influx of low-paid labor and recognizing that agricultural labor will continue to play an important role within the agricultural and national economy.

ROLE OF THE PRIVATE SECTOR, AS WELL AS THE USE OF OTHER PUBLIC AND PRIVATE RESOURCES AT THE COMMUNITY, STATE & FEDERAL LEVELS IN ADMINISTERING FARMWORKER EMPLOYMENT & TRAINING PROGRAMS

In considering the role of the private sector within employment and training initiatives, it is important to remember that the overwhelming majority of the current CETA, title III, section 303, grantees are, in fact, part of the private sector. And as private nonprofit organizations, the grantees have the ability to develop the innovative approaches in inter-state and inter-regional coordination which the majority of public agencies simply cannot administer. In addition, the majority of farmworker organizations which administer employment and training programs are not single purpose organizations, instead drawing upon various public and private resources to deliver comprehensive services to the migrant and seasonal farmworker population.

The role of private industry is, of course, key within any successful employment and training effort. Again, the private nonprofit organizations within the CETA Farmworker Employment and Training Program have initiated successful efforts in coordination with private industry. Despite the fact that sponsors of the CETA, title III, section 303, Program receive no funding through title IV to develop Private Industry Councils, growing numbers of farmworker organizations participate within area PICs and have also initiated advisory councils which are comprised of private industry representatives, as well as representatives of educational institutions, public agencies, local elected officials, labor unions, etc. Increased efforts at cooperation and coordination with private industry should be a focus in developing employment and training policy. At the same time, the role of private industry must not be viewed as an end in itself -- the roles of all available private and public resources must be considered within an integrated employment and training policy. Economic development projects within target populations should also be considered within an overall employment and training policy. For the farmworker population, such activities might include the development of cooperatives and small farms, providing farmworkers with the options of becoming owners, producers and suppliers. Economic development projects can be used to provide services and goods to farmworker consumers, as well as to develop equity and job skills for the farmworker producers.

CONCLUSION

Employment and training among migrant and seasonal farmworkers has been of national concern in federal policy since the enactment of CETA in 1973. A program which has allowed innovative and successful approaches to employment and training within the farmworker population, due to the flexibility offered through national administration and the use of private nonprofit farmworker organizations, farmworker employment and training iniatives should continue to represent a national concern within employment and training policy.

Just as conditions within agricultural employment continue to warrant a national focus within employment and training, so should national policy focus upon upgrading the conditions within agricultural labor itself. It is our position that both objectives can be accomplished through the development of a comprehensive national policy for farmworkers, national administration of the program and a defined role of the private nonprofit farmworker-governed organization.

Senator **Quayle**. Thank you all very much.

The one question I have is, Can we structure the training programs for migrant and seasonal farmworkers along the same lines we do for the urban individuals who are unemployed or underemployed? Can we have the same kind of system for the urban areas as we do for migrant and seasonal farmworkers?

Mr. **Mitchell**. We do not think so, because the locality of urban programs allows services to be delivered through the municipality. Farmworkers are spread out throughout entire States. In our case, we operate in 17 counties in New York State alone, and another 8 counties in Pennsylvania.

There needs to be a way to link together those counties in an integrated service delivery system. Therefore, the statewide or multstate delivery system is by far the most efficient and economic way of delivering services to farmworkers through that targeting process.

So, if you are asking if it can work by going through prime sponsors to farmworker communities, we say the answer is no, because it would be too limited. It would be too administratively topheavy; it would not allow us to work where farmworkers are.

Again, in our case, farmworkers move around the State itself and we need to be able to track where they go. In addition to moving from Florida to New York, they often move a couple of times while they are up doing work in New York State as well.

We have program offices in local counties that are strictly 100 percent program offices, and we operate in both States through a very streamlined administrative office structure in a centralized administrative thing, where our administrative overhead is, right now, 13.8 percent.

Senator **Quayle**. Do you agree?

Mr. **Granados**. Yes, I would concur. We have had experience with prime sponsors. I came out of a prime sponsorship program, and even where the prime sponsors are very committed to the concerns of farmworkers, every prime sponsor that has been a grantee to serve the farmworkers has dropped out of the program, not because of lack of interest, but simply because other priorities and their inability to move across their own jurisdictions make it difficult for them to work with the farmworker population. That is just a factor that we have had to live with.

Senator **Quayle**. Thank you very much. As I told the others, we are just beginning; stay in touch, and we will stay in touch with you.

We have two more witnesses, and I am going to put them together—Mr. Bourie and Mr. Schenk.

Mr. Bourie?

Mr. **Riggin**. Mr. Chairman, we are both with the American Legion. I do not know where the other witness is.

Senator **Quayle**. Is Mr. Schenk here?

[No response.]

Senator **Quayle**. Mr. Schenk is not here.

All right. The American Legion has got the total show. Go.

STATEMENT OF JAMES G. BOURIE, DIRECTOR OF ECONOMICS, AMERICAN LEGION, ACCOMPANIED BY E. PHILIP RIGGIN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, AMERICAN LEGION

Mr. RIGGIN. My name is Phil Riggin and I am deputy director of the legislative division. Of course, with me is Jim Bourie, director for economics. Mr. Bourie is prepared to deliver a summary of our statement, with a request that the entire statement be made part of the record.

Senator QUAYLE. It will be.

Mr. RIGGIN. We will both be available for any questions you may have, sir.

Mr. BOURIE. Mr. Chairman, the American Legion appreciates this opportunity to submit its statement regarding matters pertinent to employment and training programs. Of particular and serious concern to the American Legion are the employment and training needs of veterans, especially those of the Vietnam era. We are dedicated to the proposition that all veterans must be given the opportunity for economic independence and self-sufficiency.

Please make no mistake about it; veterans do indeed suffer employment and training problems. BLS figures for April reveal that in the age group 25 to 29, the unemployment rate for veterans is 9.3 percent, and 7.3 percent for nonveterans. But many thousands of Vietnam-era veterans have simply dropped out of society, cynical and bitter toward a system which professes to assist them, but only pays them lipservice.

By law, the Veterans Employment Service is to provide a prodigious and prolific employment and training program for veterans. However, notwithstanding the laudable language and intents of chapters 41 and 42, the VES only advises and recommends to the Job Service veterans programs. But the Job Service is often not committed to veteran needs, as their own administrative problems take precedent.

This problem of Job Service ambivalence will further be aggravated by their budget cuts for fiscal 1982. The administration will reduce the Job Service funding by $150 million. This reduction will undoubtedly exacerbate the already weak veterans employment and training programs.

Nonetheless, the main emphasis for the VES has been with CETA. We know now that nearly after 10 years and billions of dollars, CETA for veterans has been a total and unequivocal failure. At no time were veterans a viable part of CETA in any meaningful way.

For fiscal 1980, there were over 2 million participants in all programs. Veterans comprised only 10 percent, with Vietnam-era veterans constituting only 4.3 percent. There are a number of reasons why this is so; they range from indifference and resistance on the part of prime sponsors, to the Federal law itself.

For example, Vietnam-era veterans are identified as a special target group. Yet, they must be under 35 years of age, when most Vietnam-era veterans are 35 and older.

Like others, veterans must be economically disadvantaged—that is, almost destitute—before being eligible. But perhaps the biggest problem is that over the years, as veterans grew older, assumed family responsibilities, and made adjustments in their career goals, CETA remained stagnant; it did not take into account these and other factors.

Consequently, it could not address the employment and training needs of Vietnam-era veterans and older veterans. It was operating from a presumption and perception of veterans that was archaic and unrealistic.

Further, other than being economically disadvantaged, resident aliens, refugees and parolees have no such age prohibition and are afforded a multitude of employment and training programs.

Mr. Chairman, the American Legion has previously made the statement before the House Veterans' Affairs Committee that we will not mourn the passing of CETA, in light of the administration's present plan to eliminate or consolidate programs and move to a block grant approach.

Instead, we are rather philosophical that from the ashes of CETA, a better and more meaningful phoenix will rise for veterans. Nonetheless, we would not stand idly by, should the administration, Congress or States decide to merely redesign a clone of CETA for veterans.

It is difficult—indeed, impossible—to articulate a singular national employment policy directed at veterans, as there are a multitude of interrelated problems to be considered. But in designing any national policy, we emphatically believe that veterans must be considered a top priority in a meaningful and substantive way.

James Reston wrote in 1971 that returning veterans are first priority, but they are thrown in with the rest of the unemployed to seek jobs or welfare as best they can, and that they need jobs and the cost of providing them is likely to be far less in the long run than the cost of indifference.

Now is the time for this Nation to finally provide for veterans employment and training programs. Mr. Chairman, we cannot afford 10 more years of indifference—not 10 more minutes of indifference. Veterans sacrificed unselfishly for their Nation; their Nation must now sacrifice unselfishly for its veterans. It can do no less.

Thank you very much.

[The prepared statement of Mr. Riggin follows:]

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

E. PHILIP RIGGIN, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION

and

JAMES G. BOURIE
DIRECTOR OF ECONOMICS

before the

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

on

Future employment and training programs

June 19, 1981

Mr. Chairman and members of this subcommittee:

The American Legion appreciates this opportunity to present its statement regarding matters pertinent to employment and training programs.

Relevant resolutions are attached hereto with the request that they be made part of the record.

Of particular and serious concern to The American Legion is the employment and training needs of veterans, especially the employment and training needs of Vietnam era veterans. Addressing this need has always been one of the cornerstones of the Legion and will always remain so. We are dedicated to the proposition that all veterans must be given the opportunity for economic independence and self-sufficiency; a basic tenet that not only benefits veterans but also has significant return for this country.

Last year, the Veterans Administration commissioned Lou Harris Inc. to conduct a survey regarding non-veteran attitudes towards veterans and also to ascertain veteran problem areas. After the data was compiled and published, two startling facts became evident--one, the majority of people in this country agree more should be done to assist veterans, in particular Vietnam era veterans and two, that among veterans, employment and training were the paramount concerns.

Presently within the Department of Labor there exists the Veterans Employment Service to address those employment and training needs and under P.L. 96-466, enacted in October of 1980, the former position of Deputy Assistant Secretary for Veterans Employment was elevated to a full Assistant Secretary for Veterans Employment. That law also intended to realign the now fragmented veterans' program into a single line authority. Currently the Veterans Employment Service is under the Employment and Training Administration, the Office of Veterans Reemployment Rights under Labor-Management Services Administration and the Office of Federal Contract Compliance--Veterans' Programs under Employment Standards Administration. This splintering of programs has only fostered mismanagement, apathy, neglect and resentment within the Department of Labor. The new Assistant Secretary for Veterans Employment must first readjust these programs into a cohesive and responsive organization. This may be difficult, however, because for FY 1982 the Department has eliminated the 52 secretarial positions for each State Director for Veterans Employment within the Veterans Employment Service. This is contrary to the intent of P.L. 96-466. The elimination of these positions represents a 32.5 percent reduction of personnel from ETA, more than any other program area. We conclude that knowing veterans' programs are to be severed from other program areas, and coupled with the Administration's mandate to reduce cost and personnel, the Department has intentionally singled out the Veterans Employment Service to bear the majority of cuts, further hampering and impeding its mission to address the employment and training problems of veterans.

Mr. Chairman, make no mistake about it, veterans do indeed suffer employment and training problems. The Bureau of Labor Statistics figures for April reveal that in the age group 25-29 the unemployment rate for veterans is 9.3 percent and 7.3 percent for nonveterans. For the age group 30-34, veterans have a 5.7 percent unemployment while nonveterans of the same age have only a 4.8 percent unemployment rate. But there are two other interesting facts that go unreported: One, many thousands of Vietnam era veterans have simply dropped out of society, cynical and bitter toward a system which professes to assist them, but only pays them lip service; second, the BLS no longer reports the age group 20-25, which, until recently had a higher than usual unemployment rate. One would naturally conclude that their numbers would be reported in the 25-29 group; yet that group has not grown significantly in numbers. Since the latter group has not grown, then one would presume, and correctly, that many, as stated, have simply dropped out.

As promulgated in Chapters 41 and 42 of Title 38, USC, the Veterans Employment Service is to provide a prodigious and prolific employment and training program for veterans. Through its nationwide network of Regional Directors, State Directors, Assistant State Directors and Local Veterans Employment Representatives, who work in concert with the local State Employment Security Agencies, the Service is to ensure that veterans receive the maximum benefit of any employment and training program. However, notwithstanding the laudable language and intent of those Chapters, the VES only advises SESA on veterans programs. But SESA is often not committed to veteran needs as their own administrative problems take precedent. Consequently, other than reporting various states out of compliance the VES is powerless to take administrative action against the states. This problem of SESA antipathy will be further aggravated by its proposed budget cuts for fiscal '82. The Administration proposes to reduce SESA funding 17 percent or $150 million. This reduction will result in the lay-off of personnel, the closing of selected Job Service Offices nationwide, and the elimination or consolidation of services and programs and other actions that will undoubtedly exacerbate the already weak veterans' employment and training programs.

Nonetheless, the main emphasis for Veterans Employment Service has been with the Comprehensive Employment and Training Act. First designed as a program to address the high unemployment of youth, other groups, like Vietnam era veterans, were later identified as special target groups. But veterans programs were stillborn. We know now after nearly ten years and billions of dollars that CETA for veterans has been a total and unequivocal failure. At no time were veterans a viable part of CETA in any meaningful way. For FY 1980 there were over two million participants in all programs. Veterans comprised only 10 percent with Vietnam era veterans constituting only 4.3 percent despite the fact that, as a group, Vietnam era veterans had a higher rate of unemployment.

There are a number of reasons why this was so. They range from indifference and resistance on the part of Prime Sponsor Planning Councils to the federal law itself while created CETA. For example, although Vietnam era veterans have been identified as a special target group, they must be under 35 years of age; most are 35 and over. Service-connected disabled veterans with a rating of less than 30 percent likewise have this age prohibition. Too, like others, veterans must be "economically disadvantaged"; that is, almost destitute before being eligible. But perhaps the biggest problem is that over the years as veterans grew older, assumed family responsibilities and made adjustments in their career goals, CETA remained stagnant. It did not take into accout these and other factors. Consequently, it could not address the employment and preception of veterans that was archaic and unrealistic. For example, you cannot pay a veteran with a family $3.50 an hour to teach him a skill for which there is no demand. Further, other than being "economically disadvantaged," resident aliens, refugees and parolees have no such age prohibition and are afforded a multitude of employment and training programs. Obviously, our priorities on who gets training are far, far out of line. Perhaps we should ask those groups to serve this country should we have the need in the future.

A few weeks ago, it was my honor to serve as a panelist on veterans employment and training issues at a National Assoication of Concerned Veterans Conference in Baltimore. Also on that panel were representatives of community based organizations, service organizations, an official from the Pennsylvania Department of Labor and one official from the Veterans Employment Service. We all agreed that the present state of veterans' employment and training programs is a disastrous posture. Afterwards, I had the opportunity to discuss the issues with many participants, who, incidentally, directed veteran employment and outreach centers from across the country. They echoed many of the concerns mentioned here regarding a definite need for meaningful employment and training programs for veterans. They also stated that they are seeing a higher rate of older veterans coming to their local operations. Veterans of WWII and Korea who have outdated skills, who have been laid off, or who are looking at second careers and part-time careers, or who have experienced other intervening consequences which causes them to reassess their job capabilities or market skills. However, a general consensus was drawn that most Vietnam era veterans lack the rudimentary skills to compete for a job. They simply do not pass the very necessary and basic needs to secure a job. Therefore, there exists a very real and definite need for outreach, counseling, testing and training of these veterans.

Mr. Chairman, The American Legion has previously made the statement before the House Veterans Affairs Committee that we will not mourn the passing of CETA in light of the Administration's present plan to eliminate or consolidate programs and move to a Block Grant-to-states approach. Instead, we are rather philosophical that from the ashes of CETA a better and more meaningful Phoenix will arise for veterans. Nonetheless, we would not stand idly by should the Administration, Congress or the states decide to merely redesign a clone of CETA. We are committed to ensure that all veterans are provided meaningful employment and training programs.

We therefore believe that veterans, as a group, should be given top national priority in not only intent, but practice. Although mentioned as a special target group in CETA, so too were nearly every other group. However, veterans are the only group whose employment problems are resultant from sacrificing years of service to their country while their non-veteran counterparts advanced their careers. We must not also overlook the fact that a strong national defense is predicated on how well veterans of today are treated, as perceived by potential veterans of tomorrow.

It is difficult, indeed impossible, to espouse a singular national employment policy directed at veterans as there are of multitude of inter-related problems to be considered. But, in designing a national policy, veterans must be considered a top priority in a meaningful and substantive way. Whether this takes the form of national guidelines or intent remain to be seen. Of course, the employment and training needs of veterans are not uniform throughout the country and emphasis should be in those areas with the greatest need. Too, the Veterans Employment Service should be given the capability to identify, design and implement employment programs, as their posture has been passive but now must be active.

We also believe that it would be appropriate for the federal sector to establish guidelines and policies for states in a Block Grant approach. This will enable the federal government to ensure that taxpayer funds are prudently spent, national intent is carried out, and states are provided with guidance and advice on how best to utilize the funds.

As I mentioned earlier, I attended a NACV Conference a few weeks ago and had the opportunity to speak with many of the participants. These were dedicated, capable and compassionate individuals desiring to ensure meaningful veterans' programs, but were stymied in their efforts because of funding and apathy. In sum, the people are there; so too are the ideas and designs for employment programs. They are all dressed up with nowhere to go.

James Reston wrote in 1971, that returning veterans are a first priority, but that they are thrown in with the rest of the unemployed to seek jobs or welfare as best they can; and that they need jobs and the cost of providing them is likely to be far less in the long run than the cost of indifference. Now is the time for this nation to finally provide to veterans employment and training programs. Mr. Chairman, we cannot afford ten more years of indifference; not ten more minutes of indifference. Veterans sacrificed unselfishly for their nation; their nation must now sacrifice unselfishly for its veterans. It can do no less.

Mr. Chairman, The American Legion thanks you and the members of this subcommittee for allowing us the time to present our views.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO.: 130

COMMITTEE : ECONOMICS

SUBJECT : IDENTIFICATION OF VETERANS AS SIGNIFICANT SEGMENT IN COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

WHEREAS, It has been the policy of the Government of the United States, since our government's inception, that veterans' employment needs shall receive first priority; and

WHEREAS, Those current employment needs may very well be served through the Comprehensive Employment and Training Act (CETA), but current CETA law and regulations do not adequately address those employment needs which are critical to veterans, especially disabled, Vietnam era, minority, and older veterans; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion seek legislation to add to the priorities now identified as significant segments in CETA regulations a priority, on a par at least to those significant segments now so designated, to veterans specifically, so that the regulations shall provide that all persons or agencies having funding responsibilities for grants or programs in CETA shall be instructed that such a priority for veterans is the policy of the United States government, and such priority for veterans in CETA programs must be implemented fully and immediately.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO. : 166

COMMITTEE : ECONOMICS

SUBJECT : ASK FOR REGULATIONS TO PROVIDE INVOLVEMENT OF STATE DIRECTORS OF VETERANS EMPLOYMENT IN PLANNING OF CETA PROGRAMS

WHEREAS, The Congress of the United States has enacted the Comprehensive Employment and Training Act (CETA) to provide funds to agencies of government to provide services to citizens of their respective states or regions, including funds to the State employment service offices and CETA prime sponsors; and

WHEREAS, The Veterans Employment Service is charged by law to aid and assist veterans in obtaining maximum services from agencies receiving such funds; and

WHEREAS, The CETA prime sponsors are required to provide services to target groups, including veterans, but many have not implemented veterans programs, although they have been advised by the Veterans Employment Service field staff of the needs of veterans; and

WHEREAS, The Veterans Employment Service field staff in many instances are not involved in the development of the annual plan, now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion request that CETA regulations be amended to provide that the State Director of the Veterans Employment Service is to be involved in the planning of the CETA program, and, before such plan can be funded, that each plan have sign-off by the State Director of the Veterans Employment Service.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO. : 278

COMMITTEE : ECONOMICS

SUBJECT : SEEK ELIMINATION OF LENGTH OF UNEMPLOYMENT AS ELIGIBILITY FACTOR FOR CETA

WHEREAS, The Congress of the United States in the passage of the Comprehensive Employment and Training Act has provided funds to prime sponsors throughout the United States to provide programs of employment and job training to the needy people of their area; and

WHEREAS, Many veterans, including the disabled veterans, are ineligible for CETA programs under current rules and regulations, but, however, are in need of work experience or employment in order to return to the labor market; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion seek legislation to permit any unemployed veteran to be eligible to participate in programs under the Comprehensive Employment and Training Act if the veteran is unemployed, regardless of the length of time of unemployment or of income.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO. : 280

COMMITTEE : ECONOMICS

SUBJECT : REQUEST DEVELOPMENT OF TRAINING PROGRAMS FOR VETERANS REPRESENTATIVES SERVING ON THE CETA PLANNING COUNCILS

WHEREAS, Much effort by veterans organizations and members of Congress has been devoted to causing members of chartered veterans organizations to serve on prime sponsor planning councils for the Comprehensive Employment and Training Act; and

WHEREAS, Many of the prime sponsors have appointed veterans representatives to be members of their planning councils, who, in most instances, have received little training, if any, in regards to CETA programs and various rules and regulations concerning CETA programs; and

WHEREAS, The representatives of veterans organizations would be most effective if they would receive training and up-dated information on CETA programs and statistical data concerning the needs of veterans; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion request the Secretary of Labor to have each regional office of the Department of Labor develop training programs for representatives of veterans organizations serving on the prime sponsor planning councils established under the Comprehensive Employment and Training Act, and that such training be planned in conjunction with regional office training programs for CETA prime sponsors or other Labor Department staff, and that training programs include the Veterans Employment Service.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO.: 358

COMMITTEE : ECONOMICS

SUBJECT : PRIORITY SELECTION IN JOB SERVICE MATCHING SYSTEM FOR VETERANS

WHEREAS, The Secretary of Labor is charged by legislation to provide veterans preference through the local State employment service agencies for selection and referral to jobs and training; and

WHEREAS, Many of the State agencies have adopted or are adopting the job matching computerized program establishing procedures to record and select eligible applicants for referral to employers; and

WHEREAS, The proposed job matching program does not provide priority in selection for veterans in accordance with the law; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion request the Secretary of Labor to promulgate specific regulations to ensure that computer selection of veterans for referral to employers, as required by law, be provided in those States utilizing the computer assisted job matching system.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO. : 430

COMMITTEE : ECONOMICS

SUBJECT : SEEKS FUNDING FOR INCREASED EMPLOYMENT SERVICES FOR DISABLED AND OLDER VETERANS

WHEREAS, The American Legion has always been deeply concerned with the specialized needs of the disabled and older veteran, as evidenced by long standing employer awards and other efforts; and

WHEREAS, The advancing age of World War II and Korean veterans is creating serious employment problems for these veterans, especially during the current recession and lay-offs, and disabled veterans nearly always encounter employment difficulties; and

WHEREAS, The responsibility for providing specialized services to meet the employment problems of disabled veterans and older veterans has been given to the U.S. Department of Labor, its Veterans Employment Services, and the State employment agencies, now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion urge the U.S. Department of Labor, its Employment and Training Administration, the Veterans Employment Service, and the State employment agencies to increase and intensify and make more effective employment services to disabled and older veterans; and be it further

RESOLVED, That The American Legion request Congress to provide adequate funds so that the designated Federal and State agencies can fully comply with their responsibilities to serve the specialized employment needs of disabled and older veterans.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO. : 505

COMMITTEE : ECONOMICS

SUBJECT : FULL FUNDING FOR THE VETERANS EMPLOYMENT SERVICE

WHEREAS, Chapters 41 and 42, title 38, United States Code, provide for an effective job placement, counseling and training programs for veterans, and provide, in Chapter 41, that the Secretary of Labor supply necessary funds for this purpose; and

WHEREAS, The U.S. Department of Labor has not fully responded with meaningful and productive efforts to provide for maximum employment and training opportunities for veterans; and

WHEREAS, The U.S. Department of Labor continues to inadequately fund Federal and State agencies, namely, the Veterans Employment Service of the U.S. Department of Labor and the State employment service agencies; and

WHEREAS, As a result of noncompliance with Federal statutes, the U.S. Department of Labor is compounding the problem of unemployment of veterans, especially unemployment problems of disabled and Vietnam era veterans, which continue to remain at high and unacceptable levels; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion request that the Secretary of Labor shall submit to Congress a line-item budget for the operation of the Veterans Employment Service; and require fiscal accountability to ensure that funds appropriated for the Veterans Employment Service and for veterans employment services in the State Employment agencies are, in fact, used for such veterans employment services.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 19-21, 1980
BOSTON, MASSACHUSETTS

RESOLUTION NO. : 736

COMMITTEE : ECONOMICS

SUBJECT : OPPOSE ANY CHANGES IN EMPLOYMENT SERVICES TO VETERANS HAVING ADVERSE EFFECT ON VETERANS

WHEREAS, The Congress of the United States, in the passage of the Wagner-Peyser Act of 1922, provided for the creation of the United States Employment Service and the Veterans Employment Service; and

WHEREAS, Chapter 41, title 38, U.S. Code, provides that the Veterans Employment Service, within the Department of Labor, shall have an effective job placement program for veterans, and that the Secretary of Labor shall determine that adequate funds are made available for the Veterans Employment Service program at the national, regional and state levels; and

WHEREAS, Numerous proposals have been submitted to the Congress for consideration to amend the Wagner-Peyser Act; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion oppose any changes in the present employment services administered by the Department of Labor and established by the Wagner-Peyser Act that would have an adverse effect on programs of services to veterans.

NATIONAL EXECUTIVE COMMITTEE
OF THE AMERICAN LEGION
INDIANAPOLIS, INDIANA, OCTOBER 15-16, 1980

RESOLUTION NO. : 24

COMMITTEE : ECONOMICS

SUBJECT : SUPPORT LEGISLATION THAT STATE EMPLOYMENT OFFICES BE RESPONSIBLE FOR CERTIFICATION AND REFERRAL OF APPLICANTS TO PROGRAMS UNDER THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

WHEREAS, Since being established by the Wagner-Peyser Act of 1933, a system of veterans employment service, in conjunction with state employment security agencies, has been active in placing job applicants, including veterans, in employment and providing other employment services, such as job development; and

WHEREAS, Veterans by law are required to receive priority consideration in job referral and job training opportunities; and

WHEREAS, Job training and placement services funded under the Comprehensive Employment and Training Act of 1973 (CETA) have frequently resulted in a duplication of employment services; and

WHEREAS, Veterans, in spite of a recent nationwide campaign by the Administration, have never received the share of job and job training placement under CETA programs as under previous employment and training programs which utilized state employment services; now therefore be it

RESOLVED, By the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, October 15-16, 1980, that The American Legion support legislation to require that all responsibility for certification and referral of applicants to prime sponsors under the Comprehensive Employment and Training Act be centered in the state employment security agencies to avoid unnecessary and expensive duplication of employment services and to insure that, in placement in these Federally funded CETA jobs, veterans receive the priority in referral and other mandated services for veterans of the State employment security agencies.

NATIONAL EXECUTIVE COMMITTEE
OF THE AMERICAN LEGION
INDIANAPOLIS, INDIANA, OCTOBER 15-16, 1980

RESOLUTION NO. : 34

COMMITTEE : ECONOMICS

SUBJECT : SWIFT AND EFFECTIVE IMPLEMENTATION OF 1980 VETERANS EMPLOYMENT ASSISTANCE AMENDMENTS

WHEREAS, Title 38, United States Code, has recently been amended by Congress to improve employment services to veterans by, among other things, creating an Assistant Secretary of Veterans Employment to advise the Secretary of Labor and have other responsibilities; and by converting the present administratively established and separately funded Disabled Veterans Outreach Program (DVOP) to an ongoing Department of Labor/State operated veterans employment and training outreach program; and

WHEREAS, The unemployment rate for veterans in the 25-29 year age group, which comprises 85 percent of all Vietnam era veterans, was 7.1 percent in July 1980, compared to the 6.4 percent rate for nonveterans in the same age group, and more than twice the rate for these Vietnam era veterans in July 1979, thus necessitating effective implementation of these new provisions; and

WHEREAS, While Congress provided that DVOP shall continue, no provision was made for the funds necessary to continue this program; and

WHEREAS, The Assistant Secretary of Veterans Employment should be a veteran in order to fulfill his responsibility and obligation to effectively implement the veterans employment program within the Department of Labor; now therefore be it

RESOLVED, By the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, on October 15-16, 1980, that The American Legion urge the President to immediately appoint an Assistant Secretary of Labor for Veterans Employment as mandated by Congress, and that this appointee be a veteran in order that the existing and newly mandated responsibilities of the Department of Labor for promoting full employment of veterans be effectively carried out; and be it further

RESOLVED, That the Secretary of Labor be urged to immediately make adequate funds available for effectively continuing the Disabled Veterans Outreach Program with full staffing and responsibility as mandated by Congress.

Senator **Quayle**. Thank you very much. I appreciate your cooperation, and I can assure you that I have enjoyed working with the American Legion. We will continue to work together to make sure that the veteran has his or her proper place in our society.

Let me ask one general question. Should responsibility for employment and training of veterans be the jurisdiction of the Veterans' Administration, or should we rely on CETA and the Department of Labor? What would be your preference?

Mr. **Bourie**. I do not even want to mention CETA. I would put my eggs with the Veterans Employment Service. However, under Public Law 96-466, the VA is now in the employment business, under sections 15, 16, 17, and 18. The Administrator has the responsibility, if he identifies unemployed or underemployed veterans, to seek, in conjunction with the Veterans Employment Service and the Job Service, programs and training. DVOP will be under the Veterans Employment Service.

The Veterans Employment Service, as it is written in the law in chapters 41 and 42, is terrific, but they have been chasing CETA, and CETA, as I mentioned, has been totally unresponsive to the needs of veterans, and especially Vietnam-era veterans.

I appeared on an employment and training panel in Baltimore, and I spoke to many of the Outreach counselors throughout this Nation. They are all dressed and ready to go to the ball, but there is no place to go.

I had a phone call last week from an Outreach counselor in Seattle; he was absolutely livid. He said that there were sufficient amounts of money available for other training, but there was absolutely nothing available for the employment and training of veterans. He just had to get it off his chest, and I told him about your field hearings and I said, "This presents an optimum opportunity to get your point across to them."

Senator **Quayle**. Is the veterans Outreach program funded now?

Mr. **Riggin**. Yes, sir, it is. The veterans Outreach program—we are talking about two different Outreach efforts, to some extent, I think. We are talking about the disabled veterans Outreach program, which is a Department of Labor program which was permanently established by statutory authority last year at the level of 2,000, I believe, nationwide.

There is a separate Outreach effort—the so-called vet center effort, which is not really employment-related, necessarily, although it is getting into that ballpark. It is strictly a VA program and is designed to provide initial psychological readjustment for veterans, and then if employment problems present themselves, then the VA's Outreach effort just simply points them toward the Department of Labor or the disabled veterans Outreach program.

So, it is just simply a shifting of gears and pointing them in the right direction. There is really no specific labor or employment assistance offered in the so-called vet center program.

Senator **Quayle**. But as far as vets are concerned, you would rather have the employment and training aspects remain within the Veterans' Administration rather than having——

Mr. **Bourie**. No, no; still with the Department of Labor and the Veterans Employment Service, because there is a nice system set up already with the Veterans Employment Service. We have a full assistant secretary for veterans employment, 10 regional directors, 52 State directors, 98 assistant State directors, and local veterans employment representatives.

It is a nice system if it would work right, but unfortunately, as I said, they have been chasing CETA, and CETA is totally unresponsive to the needs of veterans. Believe me; there are veterans out there. They have just simply dropped through the cracks. They do not bother to register with the local Job Service.

The Veterans Employment Service merely stands as an adviser to the Job Service and to the State employment security agency. If the State employment security agency does not want to give any deference to veterans, there is nothing the Veterans Employment Service can do about it, other than reporting them out of compliance.

Senator QUAYLE. Is this a statutory change or an administrative change?

Mr. BOURIE. It is a statutory change. The relationship between the States and the VES is administrative. The setup of the Veterans Employment Service is statutory.

Mr. RIGGIN. Sir, I would simply say that that particular problem has been identified on various occasions over the last several years, and Congress made its very firm decision just last year to solidify to a great degree that entire thing with the enactment of Public Law 96-466. So, we are just simply asking that the thing be carried out in a proper form.

Senator QUAYLE. Thank you for bringing that to our attention.

Mr. BOURIE. Thank you.

Senator QUAYLE. At this point I order printed all statements subsequently submitted to the committee for inclusion in the record by individuals unable to attend these hearings.

[The information referred to follows:]

NARF
NATIONAL ASSOCIATION OF REHABILITATION FACILITIES

June 2, 1981

Honorable Dan Quayle
Chairman
Subcommittee on Employment and Productivity
Committee on Labor and Human Resources
9230 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Quayle:

The National Association of Rehabilitation Facilities is pleased to submit to the Subcommittee on Employment and Productivity a statement for the record regarding Policy Issues of the Employment and Training System in the United States on which your subcommittee held hearings on June 11, 12, 18 and 19, 1981. The contents of the statement are in response to the subcommittee's specific guidelines printed in the May 19, 1981 Congressional Record, page S5214.

If you or other members desire elaboration on any point of the statement on policy issues focusing on the employment and training of handicapped Americans and rehabilitation facilities, please contact our office.

Sincerely,

James A. Cox, Jr.
Executive Director

JAC/kc

Enclosure: Statement of James A. Cox, Jr.
RE: Policy Issues of the Employment and Training System in the United States

STATEMENT OF

James A. Cox, Jr.
Executive Director

NATIONAL ASSOCIATION OF REHABILITATION FACILITIES
Washington, D.C.

BEFORE THE

Subcommittee on Employment and Productivity
Committee on Labor and Human Resources

REGARDING:

Policy Issues of the Employment and Training
System in the United States.

June 11, 12, 18, 19, 1981

Mr. Chairman:

On behalf of the National Association of Rehabilitation Facilities, this statement is submitted in relation to the subcommittee's current hearings on employment and training programs.

The National Association of Rehabilitation Facilities (NARF) is a voluntary association which represents some 800 facilities. The association is concerned with rehabilitation services for and the employment of handicapped individuals. Our member rehabilitation facilities and workshops serve more than 400,000 handicapped people annually with vocational and physical rehabilitation, vocational evaluation, work adjustment, personal and social adjustment, and transitional or extended employment services.

The committee has indicated that the purpose of these hearings is to explore employment and training policy issues, including whether particular groups in the labor force have special needs which should be the concern of employment policy. NARF believes that employment policy should concern itself with target populations, especially the handicapped. My statement outlines the elements of a national employment policy for the handicapped.

I. The Nature of Rehabilitation

The goal of rehabilitation is to train or retrain people to enter or return to competitive employment. Rehabilitation serves both - those who upon receiving employment and training services can move into competitive employment and those who because of the severity of their disabilities, cannot. Many of the latter remain in extended employment in rehabilitation facilities. Training services provided under the Rehabilitation Act and CETA (particularly OJT) have been effective in giving people job skills. Since 1973 more and more people previously considered severly disabled have been rehabilitated and have moved into competitive employment. Under the rehabilitation program for each dollar spent on services earnings are generally increased by $10.00.

Vocationally oriented services are generally provided by facilities which are classified as sheltered workshops or work activity centers. These terms are defined in Department of Labor regulations. Generally sheltered workshops employ handicapped people whose productivity is relatively high while work activity centers provide programs for people whose productivity is inconsequential. The dividing line between these two types of agencies is clearer in concept than in fact. Unless otherwise noted the term "workshop" is used in this statement to cover both.

These agencies serve as rehabilitation agencies--to reduce the number and severity of living and adjustment problems of the handicapped; as employment preparation agencies--to train and vocationally prepare the handicapped for placement into competitive employment; and as employers--to provide sheltered renumerative employment.

Sheltered workshops provide remunerative work (either of a transitional or extended nature) and are non-profit. Workshops provide services including vocational evaluation, work adjustment, training, remunerative employment, and placement. They also provide supportive services such as social and psychological services, counseling, medical service, recreation, remedial education, transportation services, housing services, and a wide range of other human service programs.

According to a report (The Role of the Sheltered Workshops in the Rehabilitation of the Severely Handicapped, Greenleigh Associates, Inc., New York, July 1975) submitted to Congress by the then Department of Health, Education and Welfare, the average workshop offers 10 different programs of services to its clients.

According to Sheltered Workshop Study: A Nationwide Report on Sheltered Workshops and Their Employment of Handicapped Individuals, published by the Department of Labor in March, Vol. II, the typical client in 1976:

> "was a white, 25 year old, mentally retarded male who had never married, and who lived in a dependent type arrangement (group home, residence operated by the workshop or with parents). He worked about 20 hours a week at subcontract work in a work activities center at his first employment experience. His hourly earnings were 43 cents, and his monthly earnings of about $31 were supplemented by public assistance (Supplemental Security Income) of $147."

The description reflects the fact that over the last decade a distinctly new and different client population has appeared in sheltered workshops, in major part because of state policies to return mentally retarded and other institutionalized people to their communities. As a result, many facilities have become less and less transitional institutions and more and more long-term employers. The degree to which this is true is evidenced by the fact that in FY 1973 there were 1,056 sheltered workshops and 1,418 work activity centers certificated by the Department of Labor. In FY 1979 the comparable figures were 1,691 and 3,079. The Sheltered Workshop Study confirms that most growth in the client population in sheltered employment between 1973 and 1976 was mentally retarded people. Clients with developmental disabilities including mental retardation, are now the major population in workshops. Physically handicapped clients constitute less than one-fifth of the total group. This massive change in the nature of the client population has created new demands for services which are only partially covered by public programs.

II. Toward a National Employment Policy

Our existing programs to aid handicapped people do not constitute a comprehensive policy for their employment. We need such a policy.

The last decade has seen impressive gains in the recognition of the needs of handicapped people including protection of civil rights, provision of employment opportunities, delivery of services and provision of direct financial support. In each of these areas, public policy in 1981 is substantially more favorable to the disabled than a decade ago. Additionally, public awareness of disabled people is more enlightened and pervasive. Assumptions and myths which were conventional wisdom a decade ago are being dispelled.

Protection of civil rights of handicapped people has been advanced by enactment of Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination against handicapped people in any federally assisted activity, and Section 503 which prohibits discrimination against handicapped people in employment by most federal contractors.

Section 503 is of considerable consequence as it will help break down barriers to jobs in competitive employment. For facilities providing sheltered employment, the Javits-Wagner-O'Day program under which government contracts are set aside for workshops employing handicapped people, State Use Laws, the Handicapped Assistance Loan Program of the Small Business Administration, Community Development Block Grants for facilities through the Department of Housing and Urban Development, the Comprehensive Employment and Training Act and similar advances have opened opportunities for employment of the handicapped.

These are some of the major programs and policies which bear on employment and rehabilitation of victims of traumatic injuries, congenital defects, mental illness and other debilitating conditions. The challenge of the next decade is to mold these elements into a comprehensive national employment policy, by filling in the gaps.

To the maximum extent possible, disabled people should have the opportunity to hold jobs in competitive employment. People who are limited in their ability to hold competitive jobs should be able to obtain sheltered employment. Such employment opportunities should be stable and adequately compensated.

Rehabilitation facilities are dealing with more severely handicapped people, particularly the mentally retarded and mentally ill. For many such people, rehabilitation facilities are not a medium of transition, but the employer of last resort.

III. Recommendations

A. CETA

The Comprehensive Employment Training and Employment Act provides funds to prime sponsors and private employers to provide employment and training services to special target populations. Prior to the 1978 amendments, many prime sponsors did not consider handicapped people or rehabilitation facilities eligible for CETA services or too difficult and expensive to serve. The Department of Labor verified these perceptions in an article in the May, 1977 issue of WORK - LIFE magazine which stated:

> "Despite their great need for employment and training assistance, Americans with physical and mental handicaps received a relatively small share of CETA services."

The same article reported that handicapped people represented only four percent of all people enrolled in CETA Title I programs and 2.8 percent in Public Service Employment jobs under Titles II and VI, of the old CETA legislation, during the 15-month period ending September 30, 1976.

The Comprehensive Employment and Training Amendments of 1978 (P.L. 95-524) included revisions in the Act which clarified the eligibility of handicapped people to receive services and eligibility of facilities to receive funds to deliver services. The Act was amended to:

1. included rehabilitation facilities in the definition of community based organizations;

2. included sheltered workshop clients in the definition of unemployed;

3. revised the definition of economically disadvantaged to recognize the low income of most handicapped people;

4. prohibit discrimination based on handicap;

5. revise prime sponsor planning requirements to include a description of services and goals for handicapped people;

6. require prime sponsors to establish an affirmative action program for handicapped people; and

7. provide training and education for personnel working with the handicapped.

These changes have resulted in greater services for handicapped people and greater participation by facilities in working with prime sponsors to deliver services and membership on prime sponsor planning councils, state councils and particularly private industry councils. In 1979, 181,680 handicapped people received CETA services.

In 1980 GAO examined whether prime sponsors were providing services free of discrimination based on several factors including handicap. GAO found that significant segments of the population are not adequately served. They are under-represented particularly in on-the-job and public service employment.

The GAO report "Need to Ensure Nondiscrimination in CETA Programs" stated:

> "At 2 of the 10 sponsors, no handicapped persons were enrolled, (in OJT), although 3.6 and 2 percent, respectively, of the unemployed were handicapped. At seven of the remaining eight sponsors, the handicapped were underserved. For example, at one prime sponsor, the handicapped participation rate was 3 percent and their unemployment rate was 7.5 percent." page 8

> "We also found disparities in the extent to which handicapped persons were receiving PSE jobs, although on a much smaller scale. At two of the eight sponsors, the handicapped were receiving 2 percent or less of the PSE jobs, even though they accounted for 3 to 5 percent of the applicants. For example, at one sponsor 5 percent of the applicants were handicapped; however, only 1 percent of the applicants were handicapped." page 9

> "The handicapped and people age 45 and older encountered different problems. Several sponsor officials told us that they made no conscious effort to develop OJT programs for the handicapped because they did not consider that CETA was designed to serve such individuals. As a result, the development of OJT positions, such as auto mechanic and machinist, make it difficult for individuals with significant physical handicaps to participate. Furthermore, many employer locations are not accessible to the handicapped." page 19

This last comment in particular reflects a continuing problem in making CETA services available to handicapped people. The GAO reports a continued bias against handicapped people which the 1978 amendments sought to eliminate. For people who have completed a rehabilitation program the employment and training services available under CETA may be the last link needed prior to entering competitive employment.

In considering reauthorization of the CETA program, we recommend that:

1. the 1978 amendments focusing on eligibility and services to handicapped people be retained;

2. prime sponsors be required to address the needs of the handicapped people when developing their OJT and PSE programs;

3. Section 205, Participant Assessment, be amended to require coordination of CETA services with services received under the Rehabilitation Act and/or the Education for Handicapped Children Act;

4. Title III, Special National Programs be retained. This title authorizes national employment and training programs to peole who face special disadvantages in obtaining employment. This group includes the handicap. Funds under this title have supported several highly successful programs including a national on-the-job training program specifically for handicapped people. Under this program rehabilitation facilities train handicapped people for later employment.

5. retain the Private Industry Councils and Private Sector Initiative Program.

II. Private Industry Incentives

The connection between private industry and rehabilitation should be strengthened by giving industry incentives to invest in rehabilitation and to hire handicapped people. To that end, we recommend the following:

A. Targeted Jobs Tax Credit

The concept of using tax credits to foster increased employment of handicapped people as embodied by the Targeted Jobs Tax Credit program supports the first objective.

The Targeted Jobs Tax Credit, 26 USC 51, was enacted under the Revenue Act of 1978, and extended to December 31, 1981 by the Technical Corrections Act, enacted in April 1980. The program gives employers a tax credit for the percentage of wages paid to members of target groups. There are seven target groups, one of which is a vocational rehabilitation referral. A vocational rehabilitation referral is defined as a person certified by the designated local agency, usually the state employment agency, as having a physical or mental disability which for such person is a substantial handicap to employment and who has been referred to the employer while receiving, or having completed, rehabilitative services pursuant to an individual rehabilitation plan under the state plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973 or a vocational rehabilitation program carried out by the Veterans Administration.

To date, the program has not been as successful as expected. By the end of 1979, 108,000 certificates had been issued to which over half have been issued for cooperative education students. The remaining target populations including the handicapped are receiving only a few of the small number of certificates issued. According to a report by the Northeast-Midwest Institute, administrative changes are being made in the program to make it easier for state agencies to issue certificates, to focus on target group members other than cooperative education students, and to help eligible participants find jobs.

The program provides an incentive for employers to hire workers who have traditionally been difficult to employ. This population includes handicapped workers.

NARF believes this program plays a role in a national employment policy for the handicapped by providing incentives for industry to hire handicapped workers. To this end, NARF has testified before the Senate Finance Subcommittee on Economic Growth, Employment and Revenue Sharing in favor of reauthorization of the Targeted Jobs Tax Credit. NARF supports S.1240 introduced by Senator Heinz to extend the program for three years.

B. Investment Tax Credits

A major problem experienced by rehabilitation facilities is lack of funds for capital investments. Programs under the Rehabilitation Act for construction and equipment have not been funded in recent years. Other programs, such as the Community Development Block Grant Program, are highly competitive. Few facilities are able to obtain commercial loans at current interest rates.

Section 38 of the Internal Revenue Code allows businesses a tax credit for investment in certain types of property as set forth in Sections 46-48. NARF recommends that a similar tax credit be given to businesses when they provide plant and equipment loans to rehabilitation facilities and when they subcontract work to sheltered workshops. The current provision should be amended to eliminate the present $100,000 limitation on the use of the investment tax credit to purchase equipment.

C. Sheltered Workshop Contracts

We are also concerned that private industry's contracting with sheltered workshops depresses wages. Workshops are not in a strong bargaining position. As a result, the workshop may give an unduly low price in order to get a contract--a price which results in lower wages to handicapped workers. This issue was alluded to by the Wall Street Journal article of January 2, 1980, a copy of which is attached. We have urged DOL to commission a study of the contracting practices of major corporations with facilities employing the handicapped. We recommend action to the subcommittee.

III. Section 503, Rehabilitation Act

Section 503 of the Rehabilitation Act of 1973 encourages the employment of handicapped individuals by requiring federal contractors to take affirmative action to employ qualified handicapped individuals. Regulations issued by the Office of Federal Contract Compliance Programs of the Department of Labor provide that contracts with sheltered workshops do not constitute affirmative action in lieu of employment and advancement of qualified handicapped individuals in the contractor's own work force unless the contractor is required to hire the workshop's trainees. Corporate contractors will not entertain proposals from workshops because they feel that they will be in violation of 503. NARF has recommended that these regulations be amended so that subcontracting with rehabilitation facilities will serve as one means of satisfying such contractors' affirmative action obligations.

IV. Section 14(c) Fair Labor Standards Act

Since 1938, the Fair Labor Standards Act has included provisions allowing the Secretary of Labor to issue certificates allowing employment of handicapped workers at wages lower than the statutory minimum. The FLSA Amendments of 1966 set a floor on the amount to be paid handicapped workers of not less than 50% of the higher of the statutory minimum wage or wages commensurate with those paid non-handicapped workers in industry in the vicinity. In addition, the 1966 amendments also provided for certificates for individuals at less than 50% of the applicable minimum wage, for handicapped individuals who are performing work incidental to training and evaluation programs, or for handicapped workers whose earning capacities are so severely impaired that they are unable to be employed in competitive jobs or if they are employed in a work activities center. The statute defined "work activities centers" as:

> "Centers planned and designed exclusively to provide therapeutic activities for handicapped clients whose physical or mental impairments are so severe as to make their productive capacity inconsequential."

Pursuant to the 1966 amendments, the Department of Labor issued regulations reestablishing the terms and conditions authorizing lower minimum wages for handicapped workers employed in competitive industry and in sheltered workshops. They are found at 29 CFR Part 524, Special Minimum Wages for Handicapped Workers in Competitive Employment and Part 525, Employment of Handicapped Clients in Sheltered Workshops. Under Part 525, five types of special certificates are issued: regular, work activities center (WAC), evaluation, training and individual rate. In order to receive a certificate, a workshop or work activity center must meet certain eligibility criteria. A workshop is a:

> "charitable organization or institution conducted not for profit, but for the purpose of carrying out a recognized program of rehabilitation for handicapped workers, and/or providing such individuals with remunerative employment or other occupational rehabilitating activity of an educational or therapeutic nature."

In determining whether to issue a certificate, the DOL will consider the several criteria pertaining to competition with commerce, wages paid, services available and disabilities of individuals in the workshop. Once issued a certificate, a workshop may pay lower than the statutory minimum for the effective period of the certificate.

In order to receive a WAC certificate, the sheltered workshop or department thereof must meet the regulatory definition of WAC which is:

> "A workshop, or a physically separated department of a workshop having an identifiable program, separate supervision and records, planned and designed exclusively to provide therapeutic activities for handicapped workers whose physical or mental impairment is so severe as to make their productive capacity inconsequential. Therapeutic activities include custodial activities (such as activities where the focus is on teaching the basic skills of living), and any purposeful activity so long as work or production is not the main purpose."

By this definition, WAC clients are required to be physically separated from the regular workshop clients. In addition, a WAC does not qualify for a special certificate if its average earnings are above a certain level.

These regulations have the effect of decreasing productivity and work opportunities for handicapped people. The regulations require physical separation of WAC clients from regular sheltered workshop clients. This restriction was written into the regulation in 1966 long before the concept of mainstreaming became accepted public policy through Section 504 of the Rehabilitation Act of 1973 and other laws. A substantial number of facility managers believe that this requirement inhibits productivity by and upward mobility by people in work activity centers.

Facilities holding both types of certificates should be permitted to integrate less productive and more productive workers when the results will be higher productivity and wages. We do not propose to eliminate work activity centers, but rather to allow facilities flexibility in working with WAC clients in helping them achieve higher wages and their rehabilitation goals.

Further, the average earnings used to define a "work activity center" should be increased or eliminated. The current definition is based on a formula (which does not appear in the regulations) which assumes that WAC clients work no more than 1,500 hours a year at an average of no more than 25% of the statutory minimum wage. A facility holding a WAC certificate must meet this test. If clients' wages on the average exceed this level, the facility is no longer eligible for a WAC certificate. The alternative is a sheltered workshop certificate which requires payment of not less than 50% of the minimum wage of individual certification, which is of limited application. Thus facilities are faced with a substantial "gap" in DOL regulations, between an average calculated at 25% of the minimum wage for WACs and the 50% minimum contained in the sheltered workshop definition. This provides a not-too-subtle incentive to manage work and wages to meet the WAC standard. The regulation should be revised to make the two types of certificates complementary. The change would not affect the requirement that handicapped workers under a WAC certificate be paid on the basis of productivity and commensurate wages.

The changes would contribute to higher productivity and wages in sheltered employment.

We have raised these 14(c) issues as appropriate with the Departments of Labor, Education and Health and Human Services; the Interagency Coordination Council (charged with coordination and implementation of Section 504 of the Rehabilitation Act) and the Senate Subcommittee on Labor.

All of the above agree that separation does not serve the best interests of handicapped people and call for an end to it. A report of a study conducted by GAO at Congressman Goldwater's request comes to a similar conclusion as does a study done by Monroe Berkowitz for the Minimum Wage Study Commission and the final report of the Training and Employment Services Policy Analysis conducted by the Department of Health and Human Services. The FLSA should be amended to eliminate any requirement for physical separation and that the regulations be amended to change the earnings ceilings limitation.

V. Handicapped Assistance Loan Program

Under Section 7(h) of the Small Business Act, low interest loans are available to organizations operated in the interests of handicapped persons and to handicapped people for their own businesses. The Administration has proposed legislation, S.1136, which would eliminate this specific program and make loans for such organizations and individuals available, in competition with other types of applicants. The Handicapped Assistance Loan program should be retained. Attached is a copy of a letter to Senator Weicker, Chairman of the Select Committee on Small Business on this point.

VI. Wage Supplements

Wages earned by handicapped people in sheltered workshops and public assistance payment often do not provide an adequate standard of living. Where production limitations do not support such income from wages, the difference should be provided by wage supplements or other income supports. The late Senator Hubert Humphrey introduced the Wage Supplements for Handicapped Individuals Act as an amendment of the Rehabilitation Act of 1973. The bill would have authorized a demonstration wage supplement program. We urge the Subcommittee to explore the idea of such a demonstration program. CETA funds are presently used for wage supplements for CETA trainees.

VII. Javits-Wagner-O'Day Act and Small Business Set-Aside

The Javits-Wagner-O'Day Act and Small Business Set-Aside programs allowing for special procurements to be directed toward sheltered workshops have been beneficial in securing work opportunities to these facilities. These programs should be expanded with a view toward expanding work opportunities and wages and recognizing that the pricing determinations made by the Committee on Purchase for the Blind and Other Severely Handicapped have a direct relationship to wages which can be paid by facilities.

VIII. Tax Relief for the Disabled

Many handicapped people who are working are physically incapable of performing regular household work. Outside help is often hired to assist them with these basic life functions. At present there is no provision in the tax code which enables self-supporting disabled persons to take any form of tax deduction for these expenses other than for medical expenses. The tax code should be amended to:

(1) allow a personal deduction and withholding exemption for disabled people similar to that allowed to blind people;

(2) amend Section 44A to expand the tax credit of expenses related to household and dependent care necessary for employment to define a disabled taxpayer as a qualifying individual. The taxpayer would then be able to deduct allowable employment related expenses.

HR 8237 introduced in the 96th Congress proposed these changes.

IX. The Urban Jobs and Enterprise Zone Act

The Kemp-Garcia bill, "The Urban Jobs and Enterprise Zone Act," introduced in the 97th Congress as HR 3824 aims to stimulate business -- especially small enterprise -- in depressed central city neighborhoods by encouraging entrepreneurs to establish expanded or new industrial operations through a mix of tax incentives and elimination of long-standing disincentives. The culmination of this proposition would produce an immediate positive impact on inner-city handicapped Americans and sheltered workshops who traditionally provide the only neighborhood employment for this special population. Participants of such sheltered workshops would find new opportunities for job training and permanent employment while the natural demand for services and labor by industry would provide increased opportunity for sheltered workshop enterprises.

This legislation seeks to establish an entrepreneurial climate in the neighborhoods, rather than embark on a policy of selecting particular firms which would then receive government aid. By removing these tax and regulatory obstacles, the cost and complexity of doing business in these areas would be reduced, making it more likely that entrepreneurs with limited capital, borrowing power and business expertise, would be able to go into business, thereby creating local job opportunities for the inner-city residents.

These changes in various laws and regulations would promote the independence and self-sufficiency of handicapped people with benefit to them, their families and society as a whole. They are elements of an overall employment strategy for handicapped people. We recommend them to the Subcommittee.

BOARD OF CHOSEN FREEHOLDERS
OF THE COUNTY OF BURLINGTON
MOUNT HOLLY, NEW JERSEY
08060

CETA
EMPLOYMENT & TRAINING ADMINISTRATION
TELEPHONE (609) 261-0221

June 16, 1981

Diann Howland
Subcommittee on Employment and
Productivity Office
4230 Dirksen Senate Office Bldg.
Washington, DC 20510

Dear Ms. Howland:

It is essential to the prosperity of Burlington County that the federal government continue to provide employment and training opportunities to those individuals truly in need of such services.

The training provided should be customized to meet the needs identified by private sector employers, thus enhancing each individual's opportunities to obtain employment in the private sector. Individuals obtaining employment in the private sector contribute, through taxes, to the over-all wealth of the County. The alternative is unemployment and reliance on government services such as welfare, unemployment insurance, etc. Because funding for these programs is being reduced, it is imperative that all able-bodied county residents receive the training needed to compete in the labor market and obtain productive employment.

In the past, the availability of an employment and training program in Burlington County has been a deterrent against various social problems, many of which relate directly to youth. It has also been a major factor in keeping families together.

The objective of CETA is to provide employment and training services to economically disadvantaged, unemployed individuals especially those experiencing special barriers to employment. The goal is to facilitate entry or re-entry into the mainstream of the work force. Productive employment and an earned income are essential to maintaining human dignity and avoiding anti-social reactions associated with poverty and non-productivity. In Burlington County, the high unemployment rate (6.4%), the over-burdened welfare roles (12,807 cases), the current upsurge in crime and other anti-social situations is testimony to the need to continue to provide employment and training services to the significant number of individuals in need of such services.

Burlington County is experiencing the impact of the current trend in business and industry to relocate in the south-western part of the country. There is an urgent need to revive the vigor of our local economy. In Burlington County the employment and training program can provide the crucial link between local industry and disadvantaged, unemployed county residents. Managed effectively, it will be instrumental in preventing further recession. Emphasis, nationally as well as locally, should be placed on the Private Sector Initiative Program. Viable linkages must be established and maintained with Economic Development agencies, thus ensuring coordination between training provided and employment available.

Sincerely,

Neuman Leverett

Neuman Leverett
Burl. Co. ETA Director

NL/KSC/amj

BURLINGTON
COUNTY
COLLEGE

Pemberton-Browns Mills Road
Pemberton, New Jersey 08068
(609) 894-9311

Harmon B. Pierce, Ph.D.
President

June 18, 1981

The Honorable Dan Quayle, Chairman
Senate Subcommittee on Employment and Productivity
United States Senate
Washington, D.C.

Dear Senator Quayle:

I had intended to testify at the hearing of the Subcommittee on Employment and Productivity during June, but a scheduling conflict prevented me from being in Washington on the eighteenth. Therefore, I present the following in lieu of my appearance before the Subcommittee, where I planned to represent, through the New Jersey Consortium on the Community College which I chair, the seventeen State institutions.

Burlington County College and its sister colleges, working closely with their local Employment and Training Agencies, have been participants in CETA since its inception in 1973-74. Local networks have been established over the years that include the Counties (acting as prime sponsors), the Community Colleges, and a number of private employers. Our experience and successes lead me to endorse certain programmatic aspects of CETA which should be continued in any new legislation.

Hard core unemployed workers must be identified, trained, and assisted in entering the job market. Once in the job market, continued employment is vital if we are to eliminate the "revolving door" syndrome. The components needed to insure viable programs along these lines are intake and assessment, counseling, skills training, basic education programs and, finally job placement. Once permanent job placement has taken place, we can eliminate people from welfare dependency and break the generational cycle of inbred unemployment.

From our perspective, education and training have proven to be key elements. A properly trained and educated individual is more likely to remain employed than one not possessing these advantages. Private employers are more apt to hire, retain and promote someone who is educated and skill-trained.

celebrating a decade of
quality education

The Community College is locally based and owes its loyalty to the area it serves. It has a vested interest in maintaining and improving the economic health of its local prime sponsor's service area. Most services required for training and education are already in place. Classroom instruction, counseling, job placement, and GED testing are a few of the services we are providing CETA clients. It must be remembered that these services were already functioning prior to the advent of CETA. There were no expensive start-up costs required when we became involved in the programs. More needs to be done in promoting linkages between Community Colleges and Area Technical and Vocational Schools. There have been some successes in joint training programs. However, legislative language could spell out relationships more closely, perhaps providing for certain incentives when joint programs take place.

Private sector employers who assist in job placement need to continue to enjoy certain tax incentives. To a large extent, they are the backbone of the program providing unsubsidized employment. There is a certain risk involved for the private employer. Non-public funds are being expended and their continued use should be viewed as a long-term investment for the local economy.

In conclusion, I feel it is safe to say that CETA has worked. During the last five years, an average of 110 people per year were successfully placed by Burlington County College alone in unsubsidized employment. In addition, over this same period the College served 2,000 people in the basic education/GED program with 450 receiving their diplomas as a result of successful completion. This effort has been repeated in many other counties in New Jersey.

Future legislation should reflect the local nature of the program. The prime sponsors, the community colleges, area vocational schools, and local industries must be continued as service providers. Sufficient incentives should be provided to enable each to participate fully so as to successfully address the many facets of the unemployment problem. These local initiatives repeated many times around the nation will have a long-range impact on the economic health of our country.

I hope my thoughts on this matter have been useful. We are prepared to provide additional information and data upon request.

Sincerely,

Harmon B. Pierce

Harmon B. Pierce, President
Burlington County College
and
Chairman, The New Jersey Consortium
on the Community College

HBP/cn

new address:
707 D Street SE
Washington, DC 20003
202-546-6626

[redacted]

Full
Employment
Action
Council

June 23, 1981

The Honorable Dan Quayle
Subcommittee on Employment and
Productivity
4230 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Quayle:

On June 19th you heard oral testimony on the views of the Full Employment Action Council from Mr. M. Carl Holman, President of the National Urban Coalition and a member of the FEAC Board of Directors. I am writing with additional background material on FEAC's positions which I thought might be of interest to you and which I hope could be included in the hearing record.

We appreciate the attention which you are giving to these very important social issues and look forward to working with you in the days ahead to ensure a job for every American able and willing to work.

Sincerely,

Ellen Vollinger
Director

OPENING REMARKS TO THE NATIONAL PRESS CLUB--JUNE 11, 1981

Coretta Scott King

Good afternoon members of the press and other distinguished guests. We are pleased to have this opportunity to discuss economic policy with you.

It is my privilege to co-chair, with Murray Finley, the Full Employment Action Council, a coalition of more than 80 civil rights, religious, labor, women's, senior citizen and other organizations. Our groups came together six years ago because of our deep concern about the problem of massive unemployment in our nation.

You know, it was not so very many years ago that our nation enjoyed both low unemployment and low inflation. When the jobless rate rose above 4 or 5 percent, policymakers worried. They realized that the American people expected and deserved a better economic performance.

We are here today to tell you that the broad spectrum of Americans--labor union members, church members, whites, blacks, Hispanics and other minorities, men and women, farmers, students and senior citizens alike--still believe that the opportunity to work at a decent job at decent pay is fundamental to the American way of life.

Full employment does not mean only jobs for a few but jobs for all who are willing and able to fill them. Full employment does not mean 7 percent or 8 percent unemployment or whatever level misguided economic policies produce. As set in the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978, an interim goal for real full employment is 4 percent. Our broad coalition, with leadership from the late Senator Humphrey and from Congressman Hawkins who is here today, worked tirelessly for passage of that bill and we intend to continue our efforts to ensure that policymakers live up to the spirit and letter of that law.

We fear that current economic policies will take us further away from rather than closer to achievement of a full employment economy. Right wing economic policies have failed dismally in Great Britain, and now threaten to add to the unemployment rolls and worsen inflation here.

Overall unemployment is the highest it's been in months. For youth, women, blacks, and other minorities, the burden is especially harsh. Joblessness is a cancer eating away at the black community, destroying our hopes, our aspirations and even our youth.

As a society, we must not accept the notion that some will have jobs and income while others are told to wait a few years and to subsist on welfare in the interim. Our deomocratic form of government cannot long survive with two separate societies—one working, one jobless; one hopeful, one despairing.

Our coalition will not sit idly by while 19th century policies destroy the hopes of American workers for a decent economic life. We will work to educate the American public and its leaders through forums such as these. There may come a time when massive demonstrations such as those we conducted during the '60s will be necessary to turn policies around. Just this past weekend, 100,000 turned out in Britain to protest Mrs. Thatcher's employment policies, the largest jobs march in that nation's history.

The collective action of Committed Americans remains the best hope for achievement of social justice. I pledge to you our continued efforts to ensure a job opportunity for every American able and willing to work.

I appreciate this opportunity to meet with you. Now I'd like to ask my co-chair Murray Finley to introduce our program to you.

OPENING REMARKS TO THE NATIONAL PRES CLUB--JUNE 11, 1981

Murray H. Finley

As Mrs. King has indicated, our coalition is deeply concerned about the direction of economic policy. We would like nothing better than to have the President and Congress put forth a real "economic recovery" package. However, we believe that the budget cutting and tax policies of this Administration are a cruel hoax. Rather than putting Americans back to work, as promised, "Reaganomics" threatens to deepen the current recession.

The so-called "supply-side" theory which underlies the Administration's economic program is not based on sound economic thinking. Nor does it offer a bold imaginative approach. Instead, the Administration proposes relying on the same-old "trickle-down" theory which gives the most to those at the top in hopes that it will eventually help those at the bottom.

Well, I can tell you "trickle-down" has never worked. The efforts do not "trickle-down" far enough. They do not reach the poor and black; they do not reach most workers.

The American people must not be misled into thinking that "Reaganomics" is sound economic policy. We think they will see through the stage set when they hear the facts.

(printed in The New York Times, 9/29/80)

815 16th Street N.W.
Washington, D.C. 20006
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Full
Employment
Action
Council

September 11, 1980

The Editor
The New York Times
229 West 43rd Street
New York, New York
10036

Editor:

Your recent editorial on the jobs program adopted in the Democratic Party Platform (August 15) fosters the unfounded argument that the program would add to the deficit, thereby leading to new inflationary pressures; disregards the heavy cost of unemployment and other recession linked outlays; and ignores the evidence of the accomplishments of job-creating programs. It represents a callous disregard of the needs of the millions of unemployed and countless state and local governments which would benefit from a sound jobs program.

You would have your readers believe that in an economy of over $2.5 trillion an expenditure of only $12 billion—less than one-half of one percent of the total—could spark a sharp inflation.

The Congressional Budget Office has concluded that increasing the deficit by $20 billion would raise inflation by scarcely 2/10 of one percent.

Despite broad acceptance of the fact that unemployment and its related costs boost federal spending, no account is taken of the corollary fact—putting people on productive work sharply offsets expenditures of jobs programs.

When 2 million people were added to the unemployment rolls during the first seven months of 1980, expenditures for unemployment compensation, food stamps and similar programs went up by close to $5 billion. In addition, the treasury lost billions in revenues as a result of these 2 million workers being withdrawn from the mainstream of economic activities. Again, as the authoritative Congressional Budget Office documents, each increase of one percentage point in the unemployment rate costs our treasury over $25 billion in higher outlays and reduced revenues.

On the question of quickly putting substantial numbers of workers on meaningful jobs, an idea which your editorial summarily dismisses, again the evidence refutes your position. Now there are some 450 prime sponsors—mayors, county officials and governors—who have been operating employment and training programs for the past seven years. In 1977 that system with no prior experience of comparable magnitude was able to create over 500,000 jobs within an 8-month period.

As for your assertion that the "jobs would come on stream too late", any delay is a direct result of the failure to implement the anti-recession trigger of Title VI of the CETA law which has been in effect since October 1978. In order to avoid a lag, Congress legislated that whenever unemployment exceeded 7% about 250,000 public service jobs should be created for each one percentage point of unemployment above 4%. Had that clear congressional intent been carried out, today 800,000 workers would be added to the public service rolls. These jobs, carefully targeted to areas of high unemployment, could be allocated to projects that meet social goals and could be counter-inflationary. For example, weatherization and winterization of homes could save energy, cut dependence on OPEC oil, reduce the outflow of domestic dollars and strengthen the American dollar on the international market.

Despite the fashionable denigration of local public works, the facts and the record tell an impressive story. Over 8,500 local public works projects, financed through the Economic Development Administration in recent years, were able to be started quickly—typically within 90 days, were targeted to areas of high unemployment, were for the most part completed in less than a year, and helped state and local governments improve their deteriorating physical plant and facilities, like roads, water systems, bridges, and schools.

We reject the dismal tone of your editorial which says to the 8 million unemployed and their families that there is no hope for a meaningful jobs program. Surely with our enormous resources, skills and determination we can remedy this blight. Won't you join with us in advocating jobs programs that will put America to work?

Sincerely,

Murray H. Finley | Coretta Scott King

Murray H. Finley | Coretta Scott King

CO-Chairpersons, Full Employment Action Council

APPENDIX C FULL EMPLOYMENT ACTION COUNCIL POLICY POSITIONS ADOPTED DECEMBER 1979.

MANAGING THE ECONOMY FOR FULL EMPLOYMENT IN A TIME OF INFLATION

The goal of full employment should not and need not be sacrificed in a mistaken effort to curb inflation. The Full Employment Action Council recognizes that inflation is a serious problem that must be brought under control. But we also recognize the particular inflation we face and the appropriate remedies for it. American inflation since 1973 is primarily an inflation in basic necessities -- fuel, food, health care, and housing. During the first nine months of 1979 inflation in these four necessities was 17.5 percent, while inflation in the non-necessities was only 6.6 percent; this has been the pattern of our inflation since the 1973 OPEC embargo. Provoking a recession -- whether through excessive monetary stringency or through other means -- will not reduce the price of energy, or housing or the other necessities. The remedy for such a sectoral inflation problem is targeted action -- to expand supply or directly control prices in the specific problem areas. A recession intentionally induced by a wrong diagnosis of our inflationary problem will not solve inflation, but it will throw millions out of work -- unnecessarily. And such misguided recessionary policies will, of course, impact most heavily on those least able to bear the burden of its costs: the poor, women and youth as new entrants to the labor force, and Blacks, Hispanics, and other disadvantaged workers.

We believe that a well-managed American economy can achieve the 1983 goals of the Humphrey-Hawkins Act: 4 percent unemployment and 3 percent inflation. With a targeted approach to the inflationary sectors, the rest of the economy, which remains largely free from supply bottlenecks, can be guided toward the modest growth rates necessary to reduce unemployment from the 5.7 to 6 percent of 1979 to 4 percent by 1983. Reaching a 4 percent overall unemployment rate will of course require dedication to resolve the high structural unemployment rates for disadvantaged groups in the labor force, including youth (and especially minority youth) and those who lose their livelihood through plant closings and other economic dislocations (see below).

The Full Employment Action Council believes that these goals are not only necessary but eminently achievable goals for the American economy in the 1980s.

ECONOMIC DISLOCATION

An economic dislocation -- the sudden loss of many jobs in a single area, whether from a plant closing or mass long-term layoff -- is a recurring source of social hardship which keeps America from the full use of its potentially productive citizenry. Because of the closings at Youngstown Sheet and Tube and in the Zenith television plants in Sioux City, for example, large groups of workers were forced to give up the skills and job experience that have allowed them to make their unique contributions to American society. Wasting these individual resources and disrupting our communities is clearly not sound public policy.

The Full Employment Action Council urges passage of legislation to deal effectively with economic dislocation, to include the following provisions:

- substantial advance notice of plant closings and mass layoffs — to allow workers to find suitable new employment and to give federal and state economic adjustment programs the lead time necessary for effective action

- removal of tax incentives for runaway plants -- so that the tax system does not encourage firms to close established plants in favor of opening new facilities elsewhere

- job creation and economic development programs for the impacted communities -- to attract new industry and jobs for the dislocated workers and their communities

- assistance for positive adjustment for dislocated workers -- enriched and extended unemployment compensation and support for job search and relocation efforts for dislocated workers

- reemployment & retraining programs --incentives for employers who hire and retrain dislocated workers with on-the-job training.

YOUTH EMPLOYMENT

Among those groups which are particularly hard hit by an economy operating at the intolerable level of 6% overall unemployment are American youth. One-half of the unemployment in this country is found among young people ages 24 and under. Those 16-19 are experiencing an official jobless rate of 15% and among minority youth the situation is even more severe: over 30% of minority (Black, Hispanic, Native American and other) teens and 15% of minority young adults (20-24) are actively seeking but unable to find work. And these official figures tell only part of the story. They do not account for those discouraged youth who have given up the job search. Moreover, while the excessively high unemployment rate among minority youth can in part be attributed to the failure of adequate education and training, a large part results from continued discrimination on the basis of race. Our nation has a long way to go if it hopes to be successful in defusing this keg of "social dynamite" represented by the 300,000 minority teens and 350,000 minority young adults currently barred from the opportunity to work.

Next year the Administration and Congress will be considering new legislation in the field of youth employment. The Full Employment Action Council should assess the new proposal in terms of its likely results—whether it incorporates the programs and resources necessary to achieve more employment opportunities for the youth of America. The FEAC recognizes that a prerequisite for achieving greater employment opportunities for youth is an expanding healthy economy. Sophisticated training programs alone will not create job opportunities in an economy operating at 6% unemployment. An acceptable youth employment program must include strong labor standards provisions to ensure the concept of equal pay for equal work and must meet two fundamental tests: it must provide training relevant to employment opportunities, and it must lead to real jobs. To achieve

UNEMPLOYMENT INSURANCE

The Full Employment Action Council remains committed to a full employment economy and effective implementation of the goals of the Humphrey-Hawkins legislation. Inevitably, however, there will be times of economic downturn when a sufficient number of jobs is not available and when workers are changing jobs. At such times, workers need protection.

The unemployment insurance program has been the mechanism through which a measure of protection has been provided. But that system with its wide variations from one state to the next has serious deficiencies which must be corrected.

First and foremost, the Congress should enact federal standards for benefit levels so that an unemployed worker in any state of this nation will receive at least two-thirds of his or her most recent working wage up to a maximum of not less than three-fourths of the statewide average weekly wage. Secondly, eligibility and systems of disqualification should be standardized through federal law to preclude unfair and inequitable provisions which are part of many state laws and which serve more to protect employers' tax rates than to advance the legitimate purposes of the unemployment compensation program.

PUBLIC SERVICE EMPLOYMENT

There is a need for an extensive public service employment program in the United States to deal with long term, widespread unemployment. This program should pay at least the prevailing wage and not have an arbitrary layoff deadline in areas of high unemployment. In addition, the program should be adequately monitored to prevent abuses which take jobs away from the unemployed. This program is necessary to make up for job loss and the decline in public services, especially in our urban areas. Existing public service employment programs have been decimated by Congress and should be reformed.

In the spring of 1978, with unemployment at precisely the current levels, the Administration supported 750,000 PSE slots The reauthorized CETA contains the following provision: that a sufficient number of PSE slots be authorized to provide jobs for 20% of the unemployed in excess of 4%. This is a recognition by Congress that the Humphrey-Hawkins Act and its target of 4% unemployment is an absolutely correct target and one to which this nation is committed. Using the criteria in Title VI, there should be at least 400,000 slots funded. Instead Congress has appropriated funds for less than one-half that number. We are committed to the right of every American to a decent job at a decent wage. At a minimum the government must comply with the intent of the CETA trigger and provide increased employment opportunities during periods of slack in the private economy.

APPENDIX D

815 15th St., N.W., Rm. 516
Washington, D.C. 20005
(202) 628-0217

Full
Employment
Action
Council

1980 LABOR DAY MESSAGE
FROM
CORETTA SCOTT KING AND MURRAY H. FINLEY
CO-CHAIRPERSONS
FULL EMPLOYMENT ACTION COUNCIL

Despite their urgent pleas for productive work, too many of our brothers and sisters will spend this Labor Day just as they spend other days—without a job and the paycheck and dignity that go with having a job. As we celebrate the first Labor Day of the 1980's, we call for renewed commitment by our nation's people and leaders to make the achievement of full employment a reality.

The right to a decent job at a decent wage is a fundamental human right. A nation that is committed to economic justice, individual dignity and security can have no higher priority than ensuring that right to the people. The 1980's must be the decade in which that basic right is translated into practical reality for all Americans able and willing to work.

Massive levels of joblessness injure all of us, those working as well as those jobless. The economic costs of unemployment are substantial: lost income and revenue, lower productivity, higher expenditures for welfare, food stamps and unemployment compensation among others. Each additional 1 percentage point in the jobless rate costs our federal treasury between $25-29 billion.

The human and social costs, often less obvious, are still serious. Unemployment can diminish an individual's self-respect, lead to increased crime, drug abuse, alcoholism and mental illness, and further erode family life and community stability.

The unconscionably high plateau of 8 percent unemployment means that 15 percent of all blacks and over a third of minority youth are without jobs. We are a long way from reaching the goals of the Humphrey-Hawkins Act and a nation where each individual regardless of race, sex or age has full opportunity to earn a living. We ignore the social tensions and pressures which accompany such persistent massive unemployment at our peril.

Today, some ask the jobless to wait in limbo until ill-conceived general tax cuts like Kemp-Roth "trickle-down" to them. But we know that the new "supply-side economics" is no panacea for the most precious of our supplies—the supply of jobs. The unemployed call out—not for "trickle-down" tax cuts but for jobs. Creating jobs is their number one concern and it must be our nation's number one priority.

The first step in the 1980's to get America back to work should be enactment of an anti-recessionary jobs program.

A stimulus program should contain expenditures to:

—expand public service job opportunities for adult workers and youth. Creating jobs can both meet national needs and help to reduce inflationary pressures. Areas for special attention include: expansion of the housing supply and weatherization programs to enhance energy conservation.

—finance public works programs to rebuild long-neglected public facilities.

—provide financial assistance to states and local governments hard-pressed by the current downturn.

—strengthen and extend unemployment compensation programs to help cushion the blow to the jobless and their families.

Together with such expenditures could be carefully targeted tax changes such as a refundable tax credit to offset any adverse effects on jobs and pruchasing power that would result from the 1981 increases in contributions to the social security system. Legislation to provide such a tax cut has already been introduced by Rep. Richard Gephardt (D-MO) and Sen. Bill Bradley (D-NJ). As opposed to across-the-board tax reductions which primarily benefit those who need help the least, Gephardt-Bradley would be equitable and effective in the effort to reduce both inflation and unemployment.

In the 1970's we enacted the Humphrey-Hawkins Act. In the 1980's let us truly implement that Act.

Testimony Prepared for Hearings on Employment and Training Issues and Policies before the U.S. Senate Committee on Labor and Human Resources

presented by

the Jobs Roundtable

A Coalition of Civil Rights, Labor, Public Interest
and Community Based Organizations

June, 1981

The Jobs Roundtable is a coalition of civil rights, labor, public interest and community based groups that represent the concerns of poor and low-income people, minorities, women, youth and the unemployed. We share a commitment to securing effective and efficient federal policies and programs to meet the needs of the long-term unemployed, and those facing severe economic hardships that adversely affect employability.

This testimony incorporates a few of the major concerns and points of view that we share regarding federal employment policies. Many of our members have provided, or will be providing, more specific comments and policy proposals in their individual capacities on other interests and views not incorporated in this statement.

Among the member organizations of the Roundtable endorsing this statement are the following:

American Federation of State County
and Municipal Employees
1625 L Street, N.W.
Washington, D.C. 20036

Center for Community Change
1000 Wisconsin Avenue, N.W.
Washington, D.C. 20007

Center for National Policy Review
Catholic University Law School
Washington, D.C. 20064

Communication Workers of America (CWA)
1925 K Street, N.W.
Washington, D.C. 20036

League of Women Voters of the United States
1730 M Street, N.W.
Washington, D.C. 20009

National Association of Social Workers
1425 H Street, N.W.
Washington, D.C. 20005

National Congress of Neighborhood Women
2706 Ontario Road, N.W.
Washington, D.C. 20009

Douglas Brian, Chair
National Council of Churches
Full Employment Committee
475 Riverside Drive
New York City, New York 10027

National Employment Law Project
236 Massachusetts Avenue, N.W.
Washington, D.C. 20002

National Urban League, Inc.
425 13th Street, N.W.
Washington, D.C. 20006

National Youth Work Alliance
1346 Connecticut Avenue, N.W.
Washington, D.C. 20036

Service Employees International Union (SEIU)
2020 K Street, N.W.
Washington, D.C. 20006

United Auto Workers (UAW)
1757 N Street, N.W.
Washington, D.C. 20036

United Electrical Workers (UE)
1411 K Street, N.W.
Washington, D.C. 20005

Wider Opportunities for Women
1511 K Street, N.W.
Washington, D.C. 20005

1. Maintain Strong Federal Support and Guidance

Two themes that have been emphasized heavily during the course of the 97th Congress are the importance of improving economic productivity, and the need to exercise budgetary restraint. Some of those testifying have suggested that achievement of these goals would require the federal government to curtail assistance programs for the unemployed (specifically the Comprehensive Employment and Training Act, CETA), and a reduction in responsibilities exercised at the federal level. Instead, a general improvement in economic conditions, along with increased efforts by the private sector would be relied upon to meet the needs of those who are unemployed and not protected by a much reduced and restricted federal "safety net."

We recognize the necessity for exercising greater care with federal expenditures. We support the need for increasing the supply of jobs and for promoting the effective transition of federally assisted trainees and employees into unsubsidized employment. And we encourage private employers to become more effectively involved in job training and placement activities.

But we believe it is both misleading and misinformed to translate these concerns into a mandate to substantially reduce the guidance and support provided by the federal government to the nation's employment and training needs. Without substantial federal monetary support and oversight the employment needs of the poorest people and others who face the most serious barriers to employment simply will not be met. Private sector initiatives based on economic expansion will not reach those who lack basic entry level skills and need a chance to develop a work history and work habits.

Local government efforts, without federal backing, will concentrate on those easiest to place, not those requiring a greater commitment of staff and budgetary resources. Nor have state and local governments demonstrated a commitment or ability to deal in their own right, without strong federal direction, with problems of discrimination and other conditions that create major obstacles to job access. Indeed, it was the inability of the private sector and of state and local government to meet these needs that led to the necessity for federal intervention in the first place.

For these reasons, the federal government must continue to play a principal role in stimulating job and training opportunities for the large numbers of unemployed who will not be reached as a result of general economic improvement, or through the voluntary efforts of the private sector, and state and local governments.

2. Recognize That There Are Diverse Needs

As Mayor William Schaefer of the City of Baltimore, and Marion Pines, the Baltimore CETA Director, pointed out in their testimony, the needs of the unemployed are diverse. Those that are skilled but temporarily laid off or displaced have problems entirely different from the needs of the displaced homemaker who has been out of the labor market for many years; the Hispanic who lacks the language facility or job skills that would put them on the first rung of the employment ladder; the young person who faces an economic and social environment that discourages positive employment experiences.

The objective of federal policy must be sophisticated enough to take this broad variety of needs into account. Reliance solely on general economic recovery will not give the welfare parent the daycare resources required for holding a job. It will not give the long-term unemployed a chance to learn the skills needed to return to the labor market. Nor will private employers be motivated to provide these types of assistance without the active support and guidance of the federal government.

We believe federal programs providing this policy direction and these types of targeted assistance must continue at the same time we initiate new efforts to generate jobs and improve linkages with the private sector. A federal employment policy that is based on general economic improvement alone will not meet the varied and complicated needs of the unemployed.

3. Target Efforts to Those in Greatest Need

The Longitudinal Manpower Survey conducted by the Department of Labor indicated that the hardest to employ--those facing the most serious structural barriers to productive employment--gained the most from CETA training and subsidized job assistance. Their earnings and job holding potential increased proportionally greater than those of ary other recipient group.

Jobless people who have employable skills and are job ready in other respects do not require extensive federal assistance to become employed. But because they are easiest to serve, and produce impressive placement rates, there has been a tendency for federal programs, and for local projects, to concentrate on this type of recipient. Federal employment policy must stress the need to reduce this tendency to "cream" the best recipients, and concentrate instead on the more seriously unemployed. Particularly in a time of budgetary restraint, the federal government's resources must be targeted to those who are least likely to be helped by other means, and those who most need the assistance.

There are some in the hardest-to-employ group whose problems are so severe that they may never move into a more employable status. The impulse to avoid excessive expenditures on these particular recipients is understandable. But we must avoid the tendency to "write-off" all those who require significant amounts of training or other services. Serving the needs of the hardest to employ involves a higher initial cost than concentrating on those who are closer to being job ready. But the social and economic gains are considerable when the hardest to employ develop the capacity for productive work, and those facing the most serious barriers to employment are assisted in overcoming them to the extent that they can enter the workforce in a meaningful way.

Training and placement assistance are two of the most critical needs for the structurally unemployed--those who have been out of work for the longest period of time. Recent analyses done by the National Council on Employment Policy found that CETA training and placement assistance were the two most determinant factors influencing whether a CETA participant obtains and holds an unsubsidized job over the longer term. Job placement was easier for those CETA participants with longer training because they had more to offer employers. Those who received placement assistance were most likely to remain employed.

Federal employment programs such as CETA need to emphasize these needs more clearly, and provide methods to increase the incentives to private employers and to state and local program operators to reach the hardest-to-employ, and to serve them in these ways that are most likely to enhance their employability and earnings potential.

4. Avoid General Block Grants or Other Forms of Program Consolidation

David Harrell, spokesperson for the National League of Cities pointed out in his testimony before this Committee that "Cities came to Washington in the first place because their states were unwilling to address their problems....We see little likelihood for improvements in employment and training programs if the state bureaucracy is substituted for the federal bureaucracy."

Similar concerns were voiced by William Mirengoff of the Bureau of Social Science Research during a recent symposium on CETA held by the National Council on Employment Policy. He pointed out that "Decentralization was built into the original CETA framework, but it resulted in the abuses and problems that forced Congress to exert a stronger federal presence in the 1978 CETA amendments."

In his recent evaluation of CETA, Robert Taggart, former director of the Department of Labor's Office of Youth Programs suggests that clearer federal guidance and more effective monitoring of performance standards tend to produce more meaningful results. He found that too much local government control often works at counter-purposes to longer range employment and training objectives. This is because decisions made at the local level tend to be responsive to immediate needs and perceptions, with the result that more long-term purposes tend to be overlooked. For example, pressures for fast placements of CETA participants, or for cost-saving, often "result in limited services and quick fixes."[1]

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[1] "A review of CETA Training: Implications for Policy and Practice" by Robert Taggart, p. ii, Executive Summary.

Another problem with expanding local control beyond the existing CETA block grant arrangement explains why the federal government assumed major responsibility for administering many employment assistance programs in the first place. Many state and local governments demonstrated an unwillingness or inability to comply with national standards on such matters as nondiscrimination and targeting of assistance to the economically disadvantaged. Before we reduce the federal role still further we must be assured that these national standards will not be undermined as a result.

These types of problems would be exacerbated under proposals that would further reduce federal strings through a more consolidated form of block grant funding for employment and training programs. We will be ignoring the values learned from our experiences under CETA if we recklessly embrace the thesis that local governments, without strong federal standards and monitoring, will make effective and equitable allocations of employment assistance resources. Congress should not repeat past mistakes regarding the limits of the block grant format for meeting national employment and training objectives. We need to recall that following consolidation in 1973 of separate manpower programs into a single block grant, many local government abuses took place that necessitated the stronger federal standards established in the 1976 and 1978 amendments to CETA. These improvements did succeed in reducing the problems experienced under the more decentralized approach. This lesson does not need to be repeated.

5. Maintain Federal Employment and Training Programs that Improve the Productivity and Employment Capacity of the Jobless

Federal employment and training assistance that contributes to the employability of the jobless is cost effective. It reduces inflationary pressures by increasing the labor supply and providing a means to develop labor skills where there are shortages. At the same time it can reduce federal expenditures for welfare and other poverty assistance programs. The Congressional Budget Office estimates that each one percent decrease in the unemployment rate generates $25 billion in federal tax revenues and reductions in transfer payments.

Abuses in the CETA program have been publicized and cited as justification for calls for substantial cuts in its budget allocations, and for major reorganization of the program. In fact, these abuses, such as the use of CETA funds to substitute for or replace regular public employees, were not representative of the program as a whole. Many shortcomings, including substitution, were effectively treated by Congress' 1978 amendments. These problems should not be allowed to overshadow CETA's accomplishments, or to justify the dismemberment of the program.

The public service employment portions of CETA have borne a major share of the criticisms directed towards the program, and have been the targets of recent budget cutbacks. Yet many of our local affiliates and local officials who have appeared before you have described the considerable social benefits that result from projects operated by PSE staff. Loss of these projects affects not only the CETA participants who lose their training opportunities, it denies the community valuable public services that would not be provided from local resources alone.

Community based organizations often have played a significant role in organizing and carrying out these local projects. The involvement of these groups has been a major benefit to employment and training efforts in the poorest areas because of their proximity to the people targeted for assistance, and their understanding of their needs. These gains also would be jeopardized by major reductions in public service employment programs and a de-emphasis on CBO involvement in employment and training activities.

PSE provides on-the-job training and motivational benefits that are hard to come by elsewhere. While it is true that the private sector provides the bulk of new jobs, opportunities for subsidized work experience in the public sector represents, for many of the hardest-to-employ, the only realistic way to establish the track record and work skills required by private employers.

Instead of scrapping public sector employment wholesale, Congress should undertake a more selective effort to identify and resolve problem areas, while building on the positive contributions this program can make. For example, while PSE has always had requirements that prime sponsors assist participants in transitioning to unsubsidized jobs, in fact this standard has not been widely followed. With the added emphasis on the role of the private sector, this may be one area where stronger linkages between training programs and placement in private sector jobs can bear fruit.

Changes being proposed in the welfare program need to be examined in the same light. It is far more costly in the long run to keep a recipient on welfare than to provide the skill training necessary for enabling that recipient to join the workforce. Establishing across-the-board work relief requirements, or mandating other forms of "workfare" that do not include job development and supportive services assistance, may be counterproductive to this objective.

Experience with demonstration job search programs (notably the recent Employment Opportunities Pilot Project) has shown that fast job placements may provide only temporary solutions. Many recipients can not be expected to remain off welfare for any length of time without skill training, day care and other supportive services. Moreover, many local officials have used job search and work requirements not as a means to promote useful employability, but as harassment to force needy people from the welfare rolls. If the government institutes a strong work requirement for welfare recipients, it bears a responsibility for insuring that jobs for these recipients actually exist.

Another area where more active federal support and policy direction is called for is that of youth unemployment. There has been an unfortunate failure at the local level to create the kinds of useful linkages and coordination that is necessary between the schools, employment assistance programs, and private employers. The federal government needs to provide some innovative direction to encourage this coordination, and to stimulate local efforts to deal more creatively with the needs of jobless youth.

6. Support Nondiscrimination Policies that Reduce Obstacles to Productive Employment

In a recent press conference President Reagan stressed the goal of "keeping the first rung of the ladder open" to those who are in the poorest economic position. Creating job openings is one vital part of providing that opportunity. Equally important is removing the artificial barriers that keep people from reaching the first rung, and the rungs above. One of the most significant of these barriers is discrimination based on sex or race that limits minorities, women and youth to low level, secondary labor market jobs that are more likely to lead to disillusionment, frustration, and a return to unemployment than to provide a stepping stone to economic improvement.

Federal nondiscrimination policies in employment have been much maligned in recent months. Employment goals for minorities and women are widely criticized as embodying "reverse discrimination." There have been some abuses in the way these policies have been applied. But the underlying necessity for the effective application of nondiscrimination standards remains. Unless positive initiatives are required by federal mandate many segments of our labor markets, and many job opportunities will remain closed off to minorities and women through pay differentials and job segregation.

Proposals to retreat on federal nondiscrimination activities, and to reduce federal anti-bias requirements in the employment area will only exacerbate existing obstacles to equal opportunity, and solidify the already long lasting effects of past discrimination. This is particularly important since historically, state and local governments have been unable to carry out equal opportunity standards without strong federal leadership.

A sensible and effective federal anti-bias policy must recognize the need to overcome the effects of past and existing bias in labor markets. Failure to recognize this need will have negative consequences beyond the effects on individuals subjected to discrimination. Our society and our economy suffer when the potential for productive work from minorities, women and youth are not fully utilized, and when the possibilities for social and economic improvement among our poorest people are stifled. Strong federal policies on nondiscrimination are vital if President Reagan's promise of equal opportunity is to be realistic for minorities, women and youth.

7. Identify An Effective Role For the Private Sector

Many recent proposals look towards an increased role for the private sector in creating and carrying out employment and training responsibilities. They are based on the assumptions that economic improvement will create more job opportunities, and that the private sector will allocate this new potential wisely.

We agree that the private sector role should be increased, but believe the emphasis should take the form of increased cooperation and coordination with employers rather than a delegation of major employment and training assistance responsibilities to the private side. Historically, there has been minimum cooperation between CETA prime sponsor staff and the business community. The relationship between training efforts and the actual job needs of employers has not been emphasized. And the involvement of private employers and the business community in program decision-making has been insufficient. Clearer federal performance standards need to be developed and effective incentives provided to encourage these kinds of linkages.

Private sector efforts that have shown the potential for producing good results in the existing private sector initiative program should be encouraged in a similar way. Customized or tailored training that ties training to previously identified jobs is one desirable approach. Other means for guaranteeing that jobs will be present after training should be emphasized. And broader outreach efforts to bring private employers into the placement phase should be attempted.

The connecting links between private employers, the educational systems, and community based organizations also need to be expanded and used more effectively. Incentives need to be provided where it is demonstrated that these types of linkages are producing successful placements and expanded job opportunities.

But we would stress that the call for an increased role for private employers must not be used to mask curtailments in employment and training assistance, and a return to a system of reduced federal accountability that assumes private employers will reach out to the hardest to employ to fill jobs, and provide necessary skill training in the process. We need to look to the private sector for increased job slots, and provide the framework of communication at the local level that will produce meaningful results. But this will not happend without meaningful federal performance standards.

NAM
National Association
of Manufacturers
Industrial Relations Department

July 2, 1981

The Honorable Dan Quayle, Chairman
Subcommittee on Employment
and Productivity
Senate Committee on Labor and
Human Resources
United States Senate
Washington, DC 20510

Dear Chairman Quayle:

The National Association of Manufacturers is privileged to offer its views concerning employment and training issues.

The NAM is a voluntary business organization with over 12,000 member companies located in all parts of the country. The NAM membership accounts for approximately 75 percent of the nation's manufacturing output and 80 percent of the members are generally considered to be small businesses. NAM also has an affiliation with an additional 158,000 businesses through its Associations Department and the National Industrial Council. NAM members support principles that encourage individual freedom, advancement of economic well-being and social progress including equal employment opportunities to all individuals without regard to race, color, religion, sex, national origin, age or physical or mental handicap. It is on behalf of our membership that we submit these comments.

The future of employment and training in the U.S. concerns our member companies, and we and other business groups plan to address specific proposals in this area as they are taken up by Congress.

From a manufacturing perspective, it is useful to point out that traditional structural unemployment . . . particularly that associated with center-city youth . . . must be differentiated from the more recent unemployment associated with shifts in the world and U.S. economies.

These two forms of structural unemployment arise from different circumstances and should be dealt with separately from the perspective of private employers and government.

In the case of the high unemployment among center-city youth, many of whom are minorities, it is clear that Federal jobs programs have had little if any impact in meeting entry-level general skills background needs. The newly directed Private Sector Initiative Program (VII CETA) is a step in the right direction, i.e., correcting the mis-match of skilled workers and job openings at the local labor market level.

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Funds should be targeted to select programs that have been successful in the past, i.e. PSIP. Money should not be wasted on strategies that have exhibited a poor track record. To make this design effective, there must be a clear understanding of what constitutes good performance; but beyond this, standards must be flexible enough to respond to changing economic conditions and individual needs. Only in this way can the effectiveness of scarce economic resources be maximized.

Manpower programs, vocational education, and employment services funded by government must be coordinated at the local level to assure that people are training for jobs that exist and that communication is established between trainees and employers. Training programs that do not lead to jobs are the cruelest hoax of all.

Employment and training is of great concern and importance to the NAM. We are in the process of forming a task force within NAM to research and hopefully devise viable recommendations to be presented to our Executive Committee in September. NAM will work with other business groups and members of Congress to address these issues in a comprehensive fashion with specific proposals targeted to each human resource need that should be addressed by government.

Sincerely,

Randolph M. Hale
Vice President
Industrial Relations

cc: The Honorable Orrin G. Hatch
The Honorable Paula Hawkins
The Honorable Edward M. Kennedy
The Honorable Howard M. Metzenbaum
The Honorable Donald L. Nickles
The Honorable Claiborne Pell

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Statement of the

American Federation of State, County and Municipal Employees, AFL-CIO

Submitted to the Senate Subcommittee on Employment and Productivity

of the

Senate Labor and Human Resources Committee

on

Federal Employment and Training Programs

June 1981

in the public service

The American Federation of State, County and Municipal Employees believes that the Federal Government must play an active role in the nation's economy in order to achieve the goal of full employment. Important elements of a comprehensive full employment program must include not only fiscal, monetary and trade policies, but also a stable, flexible, and diverse employment and training program. Employment and training programs can and should serve the important function of providing American industry with a well trained and productive labor supply. It should include labor exchange functions, job training and preparation, job placement and job creation.

AFSCME believes that CETA has been effective and that much has been learned about manpower activities during the program's existence. We commend the Employment and Productivity Subcommittee's decision to hold early and extensive hearings and urge you to examine CETA's record carefully as you consider how you might change it.

AFSCME would like to recommend the following points regarding the role and nature of federal manpower programs.

A federal manpower program should be comprehensive enough to respond to different economic conditions and different needs of different groups. It should contain a job training and opportunities program targeted to the disadvantaged and the unemployed.

It also should be able to provide retraining and up-grading to help alleviate skill shortages and to help displaced workers, such as the auto worker or the employee in a state mental institution that is being closed, find alternative employment. It should be linked with economic development activities and other job creating projects, to improve urban streets, power systems and parks, all of which provide an environment that can attract private industry into our decaying urban areas. CETA has had the capacity to do most of these things, but what has been missing has been a clear, stable mandate from the federal level regarding its mission.

Employment and training programs should respect and not undermine labor standards and protections. Manpower programs should pay equal wages and benefits and not be used to finance activities employers would pay for themselves. Programs such as OJT should contain provisions requiring effective training activities, a commitment by the employer to hire trainees, and protections against the program being used as a low-skilled job subsidy that does not improve the participants' skills. Training or the creation of job opportunities for welfare recipients must not become a disguised form of workfare.

Labor unions should be actively involved in the development and implementation of employment and training programs. They have a legitimate interest in assuring that federal programs do not jeopardize the job security and employment conditions of already employed workers. During our experience with CETA, we found that most problems arose under the public service jobs program when public employers failed to inform AFSCME locals about their hiring plans or involve them in planning the program. The program worked better where the union was treated more as an equal partner, as in the youth entitlement cities where union concurrence of prime sponsor activities was required.

Labor unions also have contributed to training activities through such labor sponsored programs as the apprenticeship programs. From July 1979 to April 1981, AFSCME ran a model apprenticeship program funded through Title III, which developed several public sector apprenticeship models and promoted apprenticeship programs. Labor-sponsored or joint labor-management programs such as those under Title III should be expanded.

A block grant approach which would consolidate CETA's programs and channel all funds through state governments should be rejected. CETA already is a consolidation of previously categorical programs. The decentralization that characterized the public service jobs program in its early years caused major problems that Congress specifically addressed in the 1978 amendments. Although several aspects of the 1978 amendments were excessive, the amendments have helped reduce most of the problems in the public service jobs program. Strong federal requirements are essential to maintain accountability and prevent abuses.

In addition, a block grant would lead to neglect of certain population groups and geographical areas. The states historically have shortchanged major urban areas, and we see no evidence to suggest that they would not do so today. The states also have been slow to respond to the needs of the disadvantaged and minority groups in the absence of federal requirements. We are particularly concerned about the present youth programs which have received widespread support. We believe that they should be preserved under a separate title. The problems of young people are unique and in a period of scarce resources, the only result of such a consolidation would be to pit adults and young people in competition for fewer dollars.

In conclusion, AFSCME believes that federal manpower programs are a cost effective way to reduce dependency on income maintenance programs. Recent reports show that CETA has improved the earnings potential of many of its graduates. The average cost per CETA participatn often is not substantially more than welfare payments in many states. Surely the short term investment of manpower dollars is worth the long term gains of economic self-sufficiency from the standpoint of both the individual and society.

Senator QUAYLE. The committee will stand adjourned.

[Whereupon, at 12:36 p.m., the subcommittee was adjourned.]

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